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WORLD NEWS

Appeal court frees murder case three

The Court of Appeal quashed the convictions of three Irish people jailed in 1988 for conspiring to murder Tom King, then Northern Ireland Secretary.

Martina Shanahan, John McCann and Finbar Cullen, who had been serving 25-year sentences, were immediately rearrested under the Prevention of Terrorism Act and detained while exclusion orders were issued.

The Appeal Court held the convictions had been unsafe because of prejudice. In the middle of the case, at which the three exercised their right to silence, Mr King disclosed plans to change the law so that a suspected terrorist's failure to answer questions could be interpreted as a sign of guilt. Page 4

ANC exiles return

Five long-exiled African National Congress leaders returned to South Africa to prepare for talks with President de Klerk's Government. They included white communist Joe Slovo, who had not been to South African soil 27 years. Page 3

Lithuanian moves

Lithuanian Prime Minister Kazimiera Prunskiene moved closer to accepting suspension of the state's independence declaration. Meanwhile parliament gave the Government powers to help fight Moscow's economic blockade. Page 2

Poll tax review

The Government's poll tax review is not likely to produce any radical overhaul of the scheme. Instead, ministers indicated, the emphasis will be on how to cut household bills. Page 22

Spy book trial

Two men who wrote a book about their part in helping a spy escape must stand trial for their alleged roles in the affair. An Old Bailey judge in London said Patrick Pottle and Michael Randle had "courted prosecution" with their book on Soviet spy George Blake, who escaped from a London prison and fled the country almost 24 years ago.

Greece acts on economy

Hours after winning a confidence vote in parliament, Greece's new conservative Government put up taxes and cut spending. The big workers' confederation promptly threatened to call a strike. Page 2

IRA murders builder

A Northern Ireland builder died after his car was blown up by the IRA in County Down. Ken Graham was the 14th victim of a terror campaign aimed at people working on building schemes for the province's security forces.

In the border town of Newry, almost half a ton of explosives were found soon after security chiefs had warned of a fresh IRA terror offensive.

Christian Jerusalem shut

Christian sects in Israel, protesting against a Jewish settlement in the old area of Jerusalem, shut the doors of holy sites for 24 hours in protest. Clergy from nine Christian sects gathered to see the closing of the Church of the Holy Sepulchre. Page 3

Oxfam inquiry

Oxfam, the leading British famine relief charity, is to be investigated by the Charity Commissioners. The watchdog body will examine whether certain Oxfam campaigns involve "undue political activity."

Young workers survey

Britain's young workers are more interested in hard work, thrift and family life than in revolt, according to a survey published yesterday. It classifies one young person in seven as cautious, clean-living "New Moralist." Page 22

BUSINESS SUMMARY

Trump raises cash through refinancing

Donald Trump, the New York real estate developer, confirmed he is raising cash by refinancing some of his prime assets. He said he might also sell others such as the Trump Shuttle airline, which he has owned less than a year.

The junk bond market reacted badly, concerned that the strategy might be prompted in part by a need to support some of his projects. Page 22

STORA, Europe's biggest pulp and paper group, has acquired the West German industrial group Feldmühle Nobel for DM4bn (£1.46m) in what the Swedish-based company claims to be one of the largest acquisition transactions ever undertaken in Europe. Page 10

WANG Laboratories, the US office computer manufacturer, reported heavy losses of \$146.6m (£89.4m) for the third quarter to March 31, far exceeding analysts' projections. Page 10

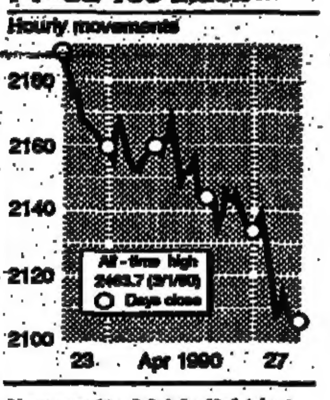
MONKS & CRANE, the USM-quoted distributor of industrial tools and fittings, is recommending a £16.6m cash offer from West German fasteners distributor Würth. Page 9

BLACK & DECKER, the US household equipment maker, has returned to profit following its purchase last spring of Emhart, the plumbing supplies and hardware maker. Page 9

OLIVETTI, Italian computers and office equipment group, reported 1989 net profits down by 48.1 per cent to L202.8bn (£98m), in spite of a 7.4 per cent rise in sales. Page 10

UK EQUITIES: The London stock market suffered a further setback as prices were marked down sharply on growing concern over prospects for the corporate sector as well as for the broader economic outlook. Selling remained fairly light but the FT-SE Index lost 27 points at 2,106.6, a fall of 80.5 on the week, bringing into close focus the 2,100 mark last traded in mid-October. Market report, Page 13; Lex, Page 22

FT-SE 100 Index



BRITISH GAS signalled the first change in contractual conditions for its North Sea gas purchases for more than 20 years, and said it was looking for fresh supplies of imported gas, against fierce opposition by UK producers. Page 4

WATER MERGER: Proposed merger between three statutory water companies has been found to be against the public interest by the Monopolies and Mergers Commission. But the companies are being given a second chance to prove that cost savings would benefit customers. Page 4; Lex, Page 22

SAAB Automobile, the jointly owned company established by General Motors and Saab-Scania last December, is expected to make heavy losses for some time. Page 10

BRITAIN'S farmers expressed satisfaction at an EC farm price settlement which is expected to add nearly £600m to their income in a full year. Page 22

MILLWALL, the holding company which runs the south London football club facing relegation, made a profit of £133,000 in the six months to January 31. Page 9

Atlantic recommended £50m provision last year

SENIOR management at Atlantic Computers recommended as early as the second half of last year that a £50m provision be established against the leasing company's worldwide liabilities, writes David Owen.

Atlantic, the world's third-largest computer leasing company, was placed under administration earlier this month by British & Commonwealth Holdings, its troubled UK parent. Last week Price Waterhouse, the administrator, announced 180 UK redundancies.

B&C, which is also to write off £550m against its investment, has consistently maintained that the "full enormity" of Atlantic's position only came to light less than two weeks before the administrator was called in. It reiterated this position yesterday.

It has also emerged from minutes of an Atlantic executive committee meeting on March 8 that the company received verbally from B&C a formal "level of comfort" confirming that there were satisfactory funds available to meet Atlantic's liabilities.

The confirmation, the minutes state, "was to be forthcoming in writing shortly."

B&C ultimately informed Atlantic in a letter dated April 16 that an overdraft facility referred to in "our letter dated March 27 1990" and "any other facilities made available to you by ourselves or our subsidiaries" were withdrawn with immediate effect. This was just one day before the administrators were summoned.

The provision recommendation, contained in an audit briefing note which is undated and marked "provisional and incomplete," was accompanied by a table assessing at £110.7m Atlantic's liability arising from certain contractual obligations.

The note emphasises that "a final and definitive recommendation on the numbers outlined in this document cannot, at the present time, be made to the ACP and B&C Boards and it is anticipated such a final recommendation cannot be made until late 1989 or early 1990."

In its interim 1989 statement, released on September 27, B&C said Atlantic's lease portfolio was "being reviewed as part of our assessment of the fair value of the businesses acquired and appropriate provisions will be made as necessary. This review is not expected to have a material impact on Atlantic's continuing growth or on the group's 1989 earnings."

In its recommendations, the Atlantic senior management advocated recognising the £42m profit arising from the sale to B&C of certain investments as an exceptional profit.

It also suggested releasing the remaining £8m of an equipment on lease provision set up in 1988. "The provision is not required and should be released to the profit and loss account: in view of its size, this is currently shown as an exceptional profit," they stated.

West German foreign minister Hans-Dietrich Genscher (left) talking to Chancellor Helmut Kohl yesterday

Haughey seeks to prevent UK isolation over political unity

By Kieran Cooke and David Buchan in Dublin

MR Charles Haughey, the Irish Prime Minister and current president of the European council, yesterday moved to play down sharp differences over political unity which will dominate today's EC summit in Dublin and could, once again, isolate Britain.

On one side are Chancellor Helmut Kohl of West Germany and President François Mitterrand of France, who favour speedy progress towards political union: on the other, Mrs Margaret Thatcher the British Prime Minister.

She has been the most outspoken among those opposing moves for greater European political unity. In Dublin yesterday Mr Haughey, in particular, tried to accommodate her.

He said various EC states had differing views as to the mechanics and pace of European political union. "We must not isolate Britain. Nor should we accentuate the differences between us," he said.

Mr Haughey said today's meeting was crucial for the future of Europe. He was reasonably confident all 12 EC states would reach "an agreement of substance" on the question of political union. On a recent tour of EC capitals he had detected a consensus for the need for some form of political union.

"Look at what has happened in eastern Europe and the momentous changes there. Are we to be left stranded on the beach of inactivity?" said Mr Haughey.

The momentous events in eastern Europe over the past year have fuelled moves for market and monetary union to be followed by closer political ties.

Even the British Government, which considers talk of European political unity "premature", has conceded that the desire to bind a unified Germany into western Europe and the wish for a more coherent response to change in eastern Europe, have forced political reform onto the Community agenda.

Mr Haughey said yesterday that the holding of a new inter-governmental conference (IGC) would be discussed today, to be held in parallel with an IGC on EC monetary union in December.

There would also be talks on the function and reform of various EC institutions.

President Mitterrand and Chancellor Kohl are expected to dominate proceedings today. Both have been responsible for thrusting the issue of political union to the top of the EC agenda in recent days.

Britain has said other practical and more pressing issues need to be dealt with before there can be any move towards political union.

Mrs Thatcher has described the Franco-German proposals as premature and "esoteric". It is likely that the heads of government will agree to ask foreign ministers to submit a report on a second IGC to the main EC summit in Dublin in June.

Background, Page 2

National curriculum to be more flexible

By Norma Cohen, Education Correspondent

THE NATIONAL curriculum, centrepiece of the Government's education reforms, will be far more flexible in content and testing than planned, Mr John MacGregor, Education Secretary, said yesterday.

Mr MacGregor insisted his position did not represent "a climbdown." However, his remarks to the Assistant Masters and Mistresses Association show the extent of the retreat on the curriculum signalled by Mrs Margaret Thatcher two weeks ago.

Her comments were seen as an admission that the curriculum had been too sweeping in content and application for existing educational resources.

The retreat on curriculum follows a this month's decision to abandon standardised testing for seven and 11-year olds in all subjects except maths, science and English. The national curriculum has 10 so-called foundation subjects, of which the last three are core subjects.

"For technology, history, geography and modern foreign languages, my intention is that the curriculum and assessment arrangements would be more flexible and allow greater scope for choice on the part of teachers and pupils than for core subjects," Mr MacGregor said.

Meanwhile, he acknowledged widespread concern from educators that the timetable for implementing the curriculum may be too ambitious, noting that His Majesty's Inspectorate of schools had pinpointed strains in the system. "That is why I am equally determined to proceed in a manageable way and at a measured pace," Mr MacGregor said.

GrandMet and Elders deal on pubs-for-breweries for MMC

By Philip Rawstorne

THE £366m pubs-for-breweries deal between Grand Metropolitan, the food and drinks group, and Elders IXL, the Australian brewer, was yesterday referred to the Monopolies and Mergers Commission.

Mr Nicholas Ridley, Trade and Industry Secretary, made the referral on the recommendation of Sir Gordon Borrie, Director General of Fair Trading. The MMC has been asked to report by August 21.

The European Commission is watching events with interest.

The decision will be a blow to Mr John Elliott, Elders' chairman. It is the third time that his attempts to secure a prime position in the UK brewing sector have been referred.

Mr Elliott's £1.6bn bid for Scottish & Newcastle was blocked last year and he lost £90m disposing of his stake. Three years earlier, he withdrew from a £1.8bn bid for Allied-Lyons during an MMC investigation.

In Sydney yesterday, Elders IXL shares slid to A\$1.74, the lowest since February 1988, amid suggestions that it might have to sell its key brewing operations to ease the debt of Harlin Holdings, its parent company. As a result of acquiring a controlling 55 per cent stake in Elders, Harlin has debt estimated at close to A\$3bn (£1.4bn). The GrandMet deal was designed to release cash to reduce Harlin's borrowings.

In London, the DTI announcement said the pubs-for-breweries swap between Elders' subsidiary, Courage, and GrandMet had been referred because of "possible effects on competition in the UK market for beer in terms of increased concentration in both the brewing and retail sectors." The implication is that any deal involving the UK's top six brewers is likely to be closely scrutinised.

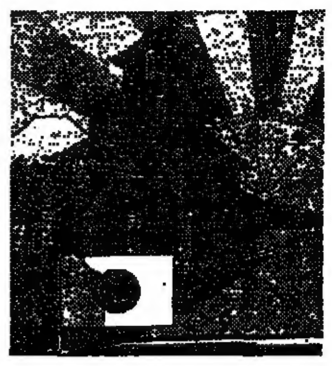
Under the GrandMet-Elders proposals, which would be self-financing in the UK, Courage would pay £366m for GrandMet's brewing interests, which include four breweries and the Watneys, Truman, Ruddles and Webster's brands. This would give Courage an 18 per cent share of the UK industry, second to Bass with 23 per cent. The tenanted pubs of both groups would be merged to form Inntrepreneur Estates. This joint venture, owning about 8,500 pubs with an estimated value of £2.8bn, would be managed by GrandMet.

Both groups have made attempts to ensure that the deal would meet government orders aimed at increasing competition in the industry. However, Sir Gordon has clearly taken the view that the scale of the deal and its effects on both the brewing and retail sectors should be reviewed.

Mr Allen Sheppard, GrandMet's chairman, said last night that he had not yet received the official terms of reference to the MMC. But he was disappointed about the referral because "our agreement with Elders fully meets the criteria defined by the Government following the recent MMC inquiry into the brewing industry."

Lex, Page 22

Weekend FT



THE EMPEROR'S NEW COINS
Kenneth Gooding picks up the trail of an international forgery scandal . . . or is it?
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Card wars: is it time to cut up your credit cards?
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Big races, big money: Michael Thompson-Noel on Royal Ascot, plus racing in Kentucky
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MARKETS

STERLING
New York lunchtime:
\$1.63815
London:
\$1.6365 (1.634)
DM2.7425 (2.7475)
FFr9.20(9.215)
SFr2.3825 (2.3875)
Y259.75 (259.25)
£ Index 86.7 (86.6)

GOLD
New York: Comex Jun
\$373.0
London:
\$370.50 (372.50)

N SEA OIL (Argus)
Brent 15-day Jun
\$17.225 (17.275)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime:
DM1.6745
FFr5.62
SFr1.4515
Y158.95
London:
DM1.6755 (1.682)
FFr5.6225 (5.64)
SFr1.4560 (1.4605)
Y158.80 (158.70)
\$ Index 68.4 (68.2)
Tokyo close: 159.08

US LUNCHTIME RATES
Fed Funds $8\frac{1}{8}$%
3-mo Treasury Bills:
yield: 8.045%
Long Bond:
$94\frac{5}{16}$
yield: 9.046%

STOCK INDICES
FT-SE 100:
2,106.6 (−27.0)
FT Ordinary:
1,658.7 (−17.4)
FT-A All-Share:
1,047.08 (−1.3%)
New York lunchtime:
DJ Ind. Av.
2,652.93 (−23.65)
S&P Comp
329.67 (−3.24)
Tokyo: Nikkei
29,584.80 (+180.22)

LONDON MONEY
3-month Interbank:
closing $15\frac{5}{32}$% ($15\frac{5}{32}$)
Liffe long gilt future:
June $77\frac{5}{32}$ ($77\frac{23}{32}$)

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OVERSEAS NEWS

Lithuania closer to suspension of independence

By John Lloyd in Vilnius

MRS Kazimiera Prunskiene, the Lithuanian Prime Minister, yesterday moved closer towards accepting the suspension of Lithuania's declaration of independence.

At the same time the Lithuania parliament said it had given the republic's government wide-ranging powers to help it fight the effects of the Kremlin's economic blockade.

Mrs Prunskiene said "this position could be considered in our parliament. Perhaps our task is to give it a full content, to say exactly what should be suspended, certainly without repealing the decision of March 11 (when Lithuanian independence was declared)."

The Prime Minister was responding to the proposal made on Thursday by President Mitterrand of France and Chancellor Kohl of West Germany that the laws adopted by the republic on and since March 11 should be suspended as a means of opening negotiations with Moscow.

Earlier President Vytautas Landsbergis gave a cautious but also a relatively open response to the two leaders' appeal. In a statement he said that the Lithuanian leadership "greatly appreciating this act of goodwill on the part of two noted leaders will carefully study this letter's proposal".

"Lithuania also desires that a dialogue between the two countries begins as soon as possible," he said.

However the Lithuanian leaders doubt the ability of Mr Mikhael Gorbachev, the Soviet President, to accept suspension rather than repeal as a basis for negotiation on his side, because of pressure from the Soviet military and party hardliners.

Mrs Prunskiene who tomorrow leaves for a visit to Canada and then to the US said that "from what Gorbachev said in Sverdlovsk (where he has been on a visit) it seems that his position is more severe".

Yesterday, an anti-blockade commission was busy considering ways to beat the economic blockade and ensure the supply of vital materials.

Mr Romula Ozolas, the deputy prime minister, said that "we have found a way of breaking through the blockade - in horizontal links with the Soviet Union".

He repeated the claims that enterprises in Moscow, Leningrad, Lvov and Kaliningrad would conclude contracts with corresponding enterprises in Lithuania to supply goods and the raw material in return for foodstuffs.

The new powers which were pushed through on Wednesday but only released yesterday by the government's information office, also include the right to introduce rationing, to remove the heads of state enterprises and other organisations, and to forbid the transfer of manufactured goods and raw materials outside the republic.

The Lithuanian government was forced to adopt the measures because of Moscow's continuing economic blockade against Lithuania in an attempt to force the republic into delaying for two years its declaration of independence.

"The leadership of the USSR, in violation of economic laws adopted by the Supreme Soviet of the USSR and the economic contracts based on them, began and is expanding its economic blockade on the republic of Lithuania," the law said. It added, that the republic's parliament was "attempting to guarantee the vital needs of the residents of Lithuania under conditions of an economic blockade."

The parliament also passed laws which empowered the government to appoint its own representatives to factories and offices to ensure the planned measures were carried out while the government would also be able to alter the plan, dissolve economic contracts without penalties and restrict the laying off of workers under the new law.

Within Lithuania itself, there now exists a substantial and growing body of opinion within the Sajudis movement and in the public which leans towards a compromise to get talks going.

But it is still far from certain that a resolution to suspend the independence declaration and subsequent laws would get through the Supreme Council which has so far had a solid majority against concessions.

EC explores payments union for E Europe

By David Buchan in Brussels

THE EUROPEAN Community is exploring the idea of helping East European countries to set up a hard currency payments union to help them settle mutual trade more efficiently. However, it has run into economic and problems surrounding the involvement of the Soviet Union.

Moscow has got wind of the EC plan and indicated that it would not take kindly to being excluded from any such system, Mr Gianni De Michelis, the Italian foreign minister, told journalists when he visited New York this week.

Commission officials confirmed that they were examining a payment clearing system – akin to the post-war European Payments Union – as one of several possible means of helping Eastern Europe, but had hit a dilemma regarding the Soviet Union.

A payments union without the Soviet Union, still the largest single trade partner for each East European country, would be too narrow, but Soviet inclusion would probably put too much strain on such a system's financial resources.

The idea of a hard currency payments union would be to let East European countries do what they cannot at present do through Comecon: net out a deficit with one partner with a surplus with another trading partner; and in the case of hard currency, make limited reserves go further.

An EC or Western contribution might take the form of a hard currency loan or grant paid into the payments pool, and of help in running it.

Consideration of the payments scheme stems from concern that, as one official put it, "unless something is done intra-Comecon trade will contract much faster than we can provide market openings (for Eastern Europe) in the West." It also marks a growing realisation that however deep Brussels' distaste for Comecon the EC will have to foster and deal with some trade structure in the East.

Considerable reservations about the scheme exist, officials say. The EC does not want to do anything to underpin an East European price structure in drastic need of market-orientation. The only last solution for Eastern Europe is felt to be a move to full currency convertibility and world market pricing.

EC political union sweeps all else aside

David Buchan previews the European Community meeting in Dublin today

THE TOPICS which European Community leaders were originally convened to discuss in Dublin today – Community aspects of approaching German unity and relations with Eastern Europe – have been relegated almost to the status of "any other business".

Political union will dominate the summit, not only because it concerns the Community's ultimate destiny, but also because of sharp differences among the Twelve over substance and procedure.

It is now clear that, in parallel with treaty revision setting up some form of monetary union, the Twelve will soon begin remoulding the Community's political institutions.

The only question - a procedural one - is how fast today's summit will start the political reform ball rolling.

■ Substance: Over lunch in Dublin Castle EC leaders are expected to discuss their alternative visions of political change. Belgium has already tabled a plan which would extend majority voting in the Council of Minsters on EC laws, genuine co-decision on legislation by a European Parliament that would also elect Commission presidents, reinforcement of European Court powers, and common security policy-making.

Overlapping this now is last week's tandem letter by Chancellor Helmut Kohl and President François Mitterrand. Long on political weight, but short on detail, this calls for increased democratic control in the EC, improved institutional efficiency, greater economic and monetary coherence, and a common security policy.

Faced with emerging EC majority backing for these plans, the British Government has adopted a two-track response. Rhetorically, it is reminding its partners that the Community already has an over-full agenda on its plate – negotiations with Gatt, Efta and Eastern Europe on the outside, and on German and monetary union on the inside.

"It is facile to say with a merry laugh that we can deal political reform as well as all these other things," said a UK diplomat this week.

But Mr Jacques Delors, Commission President, gave just such a laugh when he said: "I have a moral pact with Douglas Hurd (the UK Foreign Secretary) that we will do everything in our power to deal with these priorities, and in our leisure hours we will reflect on the political dimension."

Concretely, the UK Government has proposed that the European Parliament be given greater accountability (as much in a financial as in a democratic sense) over EC budget money, as well as beefed-up powers for the Commission and Court to chase up legislative laggards among the member states. This is too chilly and limited an alternative to have much Euro-appeal; but the very fact London has made some proposals means that; the political reform debate is truly launched; and the Thatcher Government may win some respite on the timing.

■ Procedure: The key "when" question is whether to call today a second treaty-revising conference, or delay that decision until the next Dublin summit in June. Mr Delors has said he would prefer the delay, and the Irish presidency would probably, too. Chancellor Kohl and President Mitterrand have said they want today's meeting to set a firm calendar. If by this they mean an immediate conference-setting decision, and if they push their wish, combined Franco-German muscle will probably prevail.

But a likely compromise may be a strong pro-union statement, with EC foreign ministers charged to make thorough preparation for their leaders in June to be able to announce the start of formal treaty revision by end-1990 and possibly ending by January 1993.

■ German unity: EC leaders will today have before them a Commission paper on the EC implications of approaching German unity. On the non-controversial basis of this, they will bless the marriage of the two Germanys, with West Germany's partners demanding, and Chancellor Kohl accepting, close consultation between Brussels and Bonn on the speed and manner with which East Berlin comes under the Community roof.

The Commission has not been able to put any overall price tag on the EC budgetary impact of incorporating East Germany; its paper says "any figures are bound to be guesswork at this stage", given the paucity of trusty statistics on East Germany, uncertainty as to the precise effect of East Germany entering the D-Mark zone in July, and to transition measures given various East German sectors before they must bear the full weight of EC rules.

Mr Delors has called on Bonn's EC partners to make East Germany a special "fraternity" payment, in advance of EC entry (as was once done for Portugal), while accepting as everyone (including Bonn) does that the lion's share of East German adjustment costs will come out of the West German pocket.

Cost-counters, with Mrs Margaret Thatcher prominent among them, will not only want to scrutinise any money figures, but also transition periods for East Germany.

These are a cost that others pay, to the degree East Germany is sheltered from EC rules, while having the EC market open it.

■ Eastern Europe: The easiest item on the agenda concerns the Commission's proposal to offer East European countries so-called second generation association accords.

In contrast to the round of just-completed trade and economic co-opera[illegible]on deals, these agreements (d[illegible]bed "Europe agreements" t[illegible] mark them from arrangements with a variety of non-European states) would offer the E[illegible]st Europeans a regular political dialogue and financial aid, and hold out the carrot of eventual free trade.

They would, significantly, be tailored to East European progress in political an[illegible] economic reform and, pointedly, do not refer specifically to p[illegible]ssible EC membership. But, as [illegible] Delors reiterated this week, the new agreements are not intended to "divert" countries from applying one day to join the EC club, if they so chose.

Off the agenda but in Dublin Castle's corridors, the question of who will head the new European Bank for Reconstruction and Development (EBRD) and where it will be sited may get settled.

The likelihood is that Mr Jacques Attali, a Mitterrand adviser will get the chance to head the EBRD he first dreamt up, but that he will have to move to London to do so.

Irish Prime Minister, Mr Charles Haughey, left, Chancellor Kohl and President Mitterrand

Mr Boris Yeltsin (above), in London yesterday to meet Mrs Thatcher, said the Soviet leadership may face a grass roots revolt later this year, PA reports from London.

He said President Gorbachev had only several months to produce real improvements in the Soviet economy. In typically outspoken fashion, he criticised Mr Gorbachev for his handling of the Lithuanian crisis, the fall in living standards and failure of reforms.

Poland lists first five privatisation targets

By Christopher Bobinski in Warsaw

A CHOCOLATE maker and a cutlery producer have been included in a list of the first five companies that the Polish Government wants to sell off under its ambitious privatisation policy.

Draft privatisation laws are going through parliament under which foreign investors would have the right to buy up to 10 per cent of a share issue without special permission from Poland's foreign investment agency.

The five companies are Exbud from Kielce, a construction company which specialises in foreign contracts; the Prochnik garment manufacturer from Lodz, a major exporter to the West; Hefer a Warsaw cutlery producer; the Silesian Cable Factory from Czechowice; and Wedel, a chocolate company employing several thousand people in Warsaw. The Government would like to sell up to 100 enterprises by the end of this year.

The list fits the Government's stated aim of putting well-run profitable companies with a high share of export earnings on to the market first.

Exbud is the most advanced in its preparations for privatisation, but at Wedel the local Solidarity organisation is suspicious of the sale.

The first step according to the draft legislation is that the companies will be turned into joint stock companies the shares of which will then be sold on the open market. Employees will have the right to buy up to 20 per cent of the shares at preferential rates.

The legislation has been criticised for not going further in encouraging shop floor share ownership.

Athens raises VAT and puts levy on profits

By Kerin Hope in Athens

THE NEW Greek conservative Government yesterday announced an increase in VAT and a surcharge on private sector profits for 1989, only hours after winning a parliamentary vote of confidence.

The economic package, which is intended to bring in revenues of more than Dr300bn (£1.1bn) over the next few months, also included price rises for petrol, tobacco, alcohol, public transport and utilities.

Mr Constantine Mitsotakis, the Prime Minister, told parliament that urgent measures were needed because last year's record budget deficit of Dr2 trillion ($12.5bn) "has brought Greece to the gates of bankruptcy."

The increases are expected to add 3.59 per cent to annual inflation, which is currently 17.8 per cent.

However for the first time in two years they will not be covered by automatic index-linked wage rises for public sector employees.

The two median VAT rates will be raised by two percentage points to 8 and 16 per cent, but the highest rate of 36 per cent on luxury goods remains unchanged.

Companies and self-employed professionals will pay a special levy of 7 per cent on net profits for 1989. The conservatives, who won a narrow majority in the April 8 general election have pledged to cut last year's record public sector borrowing requirement of 22 per cent of GDP by 3 percentage points this year.

Nicaragua in 50% devaluation

By Tim Coone in Managua

THE Nicaraguan currency underwent a 50 per cent devaluation on the official parallel market yesterday as the new Government adjusted exchange rates to bring order to the chaotic local currency market.

The officially-sanctioned tourist rate for the US dollar, which was established by the last Government to compete with the illegal black market, is now 140,000 cordobas for $1. The official exchange rate, used for visible trade transactions, set at 53,800 cordobas to the dollar, is expected to undergo a similar devaluation in the coming days.

The Central Bank yesterday issued new banknotes of one million and half million-cordoba denominations.

Dr Francisco Mayorga, the new Central Bank president, told reporters this week that a new currency, the Cordoba Oro (Gold Cordoba), would be introduced in July which would have a one-to-one parity with the US dollar. It would be introduced initially for foreign trade transactions, but would gradually replace the old currency. The aim is to maintain the new currency's parity with the dollar.

Dr Mayorga reiterated the aim of bringing down inflation to manageable levels "within 100 days." The official figure for inflation in 1989 was 1,689 per cent.

He said that some $370m in external financial assistance had been promised to Nicaragua, including $300m from the US, which was sufficient to put the new Government's economic stabilisation plan in motion.

Hungary tries to boost confidence

By Nicholas Denton in Budapest

HUNGARY'S Prime Minister in waiting, Mr Jozsef Antall, moved yesterday to restore international confidence in the future Government's economic policy after his party's election victory provoked significant withdrawals on foreign deposits from the Hungarian National Bank.

Mr Antall, leader of the conservative Hungarian Democratic Forum, condemned as "unfounded and unjustified" the withdrawals from the bank and "other financial manoeuvres," an apparent reference to reports of difficulties with syndicated credits.

He said forces inside and outside Hungary were undermining faith in the country's stability.

Foreign investors and financiers have been worried that the need to satisfy the populist wing of the forum and the rural-based smallholders' party, the Forum's main coalition partner, would constrain economic policy after Mr Antall takes power next week.

But Mr Antall suggested that the International Monetary Fund would have more influence on policy than these groups. The Forum consulted Mr Gyorgy Szapari, the IMF's representative in Hungary, and the organisation "on all steps and on the formulation of the government programme."

Mr Antall said the cabinet and the economic posts would be filled by technocrats who were close to the coalition parties but not necessarily members.

He appears determined to maintain an economic policy whose most striking feature is the continuity with that of the outgoing Socialist government of Mr Miklos Nemeth.

NEWS IN BRIEF

US annual growth rate put at 2.1 per cent

THE US economy grew at an annual rate of 2.1 per cent in the first quarter, while the underlying inflation rate reached 6.5 per cent, according to preliminary estimates from the Commerce Department, Anthony Harris writes from Washington.

Market economists had expected higher growth and lower inflation, and the figures were regarded as somewhat disappointing, but the reaction was very subdued. About half the rise in the inflation indicator – the fixed-weight deflator – was officially attributed to energy and food prices, where large increases in January followed unusually cold weather in December.

The real growth trends were more than usually distorted by special factors.

The motor industry, and some retail sectors, made successful efforts to clear excessive stocks by cutting prices during the quarter: this led to some acceleration in consumer spending, which rose by $16bn (0.6 per cent), four times as much as in the previous quarter, but this was more than offset by a combined reduction of $46.3bn in real inventories in cars and retailing.

On the positive side, the unseasonably warm weather produced a recovery in construction, though utilities' sales were cut.

Italy to free capital on May 14

The Italian Government yesterday set May 14 as the historic day from which Italians will be free to move unlimited amounts of capital into and out of the country for the first time since 1917, John Wyles writes from Rome.

The issuing yesterday of an administrative decree lifting the last residual restrictions on currency movements brings Italy into line with the European Community's directive requiring the full liberalisation of exchange controls by July 1.

It means that from mid-May Italians will be able to open bank accounts abroad, export up to L20m (£9,850) without using the banking system and invest in the full available range of foreign instruments. However anxious to monitor capital movements of dubious origin or intent, the Government also approved a decree-law yesterday which requires all transfers above L20m to be made through banking channels.

French pledge on immigrants

France is determined to stem illegal immigration from East Europe and Africa ahead of the 1993 opening of European Community borders, the Interior Minister, Mr Pierre Joxe, said yesterday, Reuter reports from Marseille.

Speaking after touring French border posts, Mr Joxe said an end to border restrictions between EC states "does not mean that anybody can come into France without constraint nor controls".

The Socialist Government is under increasing pressure from the conservative opposition and right-wing groups to curb immigration by North and West Africans. Violence aimed at immigrants has been on the increase.

Race for Greece's grand design

More than 400 architects from throughout the world are competing to design a new Acropolis Museum to house the treasures of Greek civilisation, the Culture Minister, Mr Tzannis Tzannetakis, said yesterday, Reuter reports from Athens. The $20m (£12.3m) complex will be part of a bigger project to landscape the area around the Acropolis hill where the Parthenon temple, built in the 5th century BC, towers over Athens. The Government hopes it will be ready by 1996 when Greece aims to host the Olympics

Austrian bank president dies

The President of Austria's National Bank, Mr Hellmuth Klauhs died during the night at the age of 68, the bank announced yesterday, AP reports from Vienna. Until a relacement is named, the bank's first vice-president, and former general director, Mr Heinz Klenzl, is to take over as acting president. Mr Klauhs was appointed president of the National Bank on September 1, 1988.

Albania moves cautiously to end years of isolation

By Judy Dempsey in Vienna

AFTER decades of self-imposed isolation, the Albanian authorities are embarking cautiously on economic and political changes which are likely to have a significant impact on its domestic and foreign policy.

The changes, outlined in a recent speech to the central committee by Mr Ramiz Alia, leader of the ruling Party of Labour of Albania, called for a shake-up in the economy, in the PLA, as well as raising the possibility of establishing diplomatic relations with the Soviet Union and the US.

But in a speech which noticeably refrained from criticising the Soviet Union for its wayward path towards "revisionism," Mr Alia, who succeeded Mr Enver Hoxha after his death in 1985, singled out his own party's bureaucracy and corrupt officials for hindering economic development.

He said: "Bureaucracy and routine are not easily uprooted," adding that over the past three months, more than 260 directors and officials had been replaced by younger people.

The changes were aimed at "democratising the life" as well as boosting the efficiency of the country's economy which, judging from his speech, is facing serious problems.

For instance, last year's drought caused energy shortages which led to a drop in exports, "forced the government to close down some plants . . . such as ferro-chrome (enterprises) and to import electricity."

He also blamed the changes and disorders in eastern Europe "and in the new political and economic restructuring in Europe" for the difficulties.

Yet, contrary to his predecessor who would have simply dealt with the problems by proposing stricter ideological vigilance, Mr Alia proposed making enterprises self-financing partly by linking wages to productivity as incentives which would boost output.

The economic difficulties at home and the changes in the Soviet Union and eastern Europe may explain Tirana's shift in foreign policy. However Mr Alia claimed that isolationism "has not been and cannot be our line," and added: "The problem of re-establishing diplomatic relations with the United States and the Soviet Union is on the agenda."

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OVERSEAS NEWS

ANC hardliners return from exile

By Patti Waldmeir in Cape Town

SENIOR leaders of the African National Congress in exile, some of whom fled South Africa more than a quarter of a century ago, returned to their country for the first time yesterday and spoke of their joy at being home.

"For those of us who left by the back door and have returned by the front door, it's a remarkable feeling," said Mr Joe Slovo, former chief of staff of the ANC's military wing, *Umkhonto we Sizwe* (Spear of the Nation), and the man whom white South Africans fear more than any other.

Mr Slovo, 63, who is also general secretary of the South African Communist Party, went into exile in 1963. In 1985 he was the first white person to be elected to the ANC's national executive.

The delegation also included Mr Alfred Nzo, the ANC's secretary general and acting president, Mr Thabo Mbeki, international department head, Mr Joe Modise, guerrilla commander, and Mrs Ruth Mompati, a member of the national executive committee.

Scores of black and white police kept crowds away from Cape Town airport, where the delegation arrived after a flight from the ANC's exiled headquarters in Lusaka. In an emotional address to a press conference at Cape Town airport, Mr Slovo said the four-hour flight from Lusaka was the longest he had experienced.

While plainclothes white security officials stood watchfully nearby, he explained: "I never imagined a pilot's announcement could make such music, as he pointed out, on your left is Johannesburg, there is Soweto."

Slovo: 'There is enough room in South Africa for everyone'

The delegation, which will form part of the ANC team at talks due to begin next week with the South African Government, had come in a spirit of conciliation, he said.

"As we flew over the country, it struck us how big this land is . . . and that there is room enough for everyone," Mr Slovo said.

Special legislation had to be enacted to enable the delegation to return to South Africa without facing possible prosecution for their role in terrorist offences committed by the ANC's military wing. Mr Slovo is a very popular figure among the radical youth in South Africa's black townships.

A large crowd is expected when he addresses his first political rally, due to take place tomorrow in the coloured township of Mitchell's Plain, near Cape Town.

Mr Nzo, 64, who is acting President of the ANC during the illness of Mr Oliver Tambo, the serving President, left South Africa in 1964.

Mr Mbeki, at 47, is seen as the likely leader of the ANC generation which will eventually succeed Mr Mandela and other aged members of the leadership.

Reuter adds from Stockholm: The Swedish news agency TT yesterday reported that Mr Tambo had left Sweden after nearly four months of medical treatment following a stroke.

Mr Tambo, 72, flew to London on Thursday and was expected to travel to South Africa soon, the agency said.

He suffered the stroke last October and came to the Swedish capital early in January to be treated at a clinic specialising in brain damage rehabilitation.

China and UK make progress in Hong Kong talks

By John Elliott in Hong Kong

FOR THE first time since the Tiananmen Square crisis last June, China and the UK have made progress on detailed preparations for Hong Kong's return in 1997 to Peking's sovereignty.

But during the Sino-British Joint Liaison Group talks in Peking, which ended yesterday, senior Chinese officials repeated outspoken attacks on the UK's plans to give British passports to up to 50,000 Hong Kong families and to provide the colony with a Bill of Rights. They also repeated threats of unspecified reprisals.

However, it was agreed that experts would discuss creation of a court of final appeal in the colony. Agreement was also reached in principle on Hong Kong's continued participation after 1997 in international telecommunication and maritime satellite organisations.

China's willingness to engage in practical discussions, instead of concentrating only on recriminations, was a significant advance and officials hope that this will lead Peking to adopt a positive line soon on the colony's plans for a new international airport.

However, Mr Guo Fengmin, Chinese leader of the liaison group, accused the UK of planning to "turn Hong Kong people into British people" with the passport scheme. Such acts, he said, were "not conducive to prosperity and stability in Hong Kong".

He also surprised British diplomats by claiming that the UK was giving Hong Kong sovereign status by introducing a Bill of Rights based on international human rights conventions because only sovereign states were signatories to the conventions.

China was told that it could make submissions to the Hong Kong Government on the Bill. "If the Chinese Government has comments on the details, then we will of course be pleased to listen to them," Sir David Wilson, the Governor, said in Hong Kong yesterday.

Shamir in talks to form new coalition

By Hugh Carnegy in Jerusalem

MR YITZHAK Shamir yesterday opened his bid to form a new Israeli Government dominated by his Likud party and committed to uncompromising policies that have already drawn sharp criticism this week from the US, Israel's main ally and financial backer.

As Mr Shamir accepted an extendable 21-day mandate from President Chaim Herzog to win parliamentary backing for a new administration, Christian churches of all denominations took the unprecedented step of closing for a day all their Holy sites throughout Jerusalem, Israel and the occupied territories. They were protesting at the takeover by a group of Jewish settlers of a large building close to the Holy Sepulchre Church in the Christian Quarter of Jerusalem's Old City.

The disclosure that Likud ministers had secretly channelled public money to help finance the acquisition of a lease on St John's Hospice, owned by the Greek Orthodox Church, caused the US State Department to comment that the move was "insensitive and provocative", and drew tough criticism also from American Jewish groups.

President George Bush's Administration made little pretence about its sympathy for Mr Shimon Peres, the Labour Party leader, whose attempts to establish a government committed to a US-brokered proposal for Israeli-Palestinian peace talks failed on Thursday. That day, the State Department complained publicly about new Jewish settlements in the West Bank and Gaza Strip established under Mr Shamir's caretaker Likud Government of the past six weeks.

Although not directly related, a surge of violence in the territories on Thursday, in which four Palestinians were shot dead by troops and well over 100 wounded, will have underlined US fears about the direction events might take under Likud. Labour, for the time being suppressing divisions over Mr Peres's failure, says it is determined to prevent a Likud-led coalition with far-right parties from gaining a majority in the Knesset.

Mr Shamir said yesterday it was his aim to do so quickly, although, significantly, he did not rule out some later reconstruction of the broad Likud-Labour coalition.

Shipyard strikers in S Korea face police

THOUSANDS of striking workers armed with steel pipes and fire bombs set up barricades yesterday as 18,000 riot police were deployed in a show of force outside South Korea's largest shipyard, AP reports from Ulsan.

Both management and union officials of Hyundai Heavy Industries said there was little room for compromise. The shipyard was shut down, and news reports quoted government sources as saying force might be used to end the strike.

Last year, the Government sent in 12,000 police, supported by helicopters firing tear gas, to end a bitter 109-day strike at the shipyard. Hyundai said it lost $6m (£3.7m) a day in last year's strike.

The mood in this industrial city, about 200 miles south-east of Seoul, was tense yesterday as riot police armed with shields and clubs surrounded the shipyard.

About 10,000 militant workers, many of whom have occupied the yard for three days in protest at the arrest of union leaders, held a rally and burnt a coffin marked "police". "We have no choice but to fight," said one union leader, who declined to be identified.

Strikers piled ladders and steel parts to create a wall to seal off the shipyard's main gate. Hundreds of militant workers wearing helmets and armed with steel pipes patrolled the shipyard.

News reports said police were readying fire engines helicopters and bulldozers for possible action. "Police intervention appears imminent," the influential newspaper, Chosun Ilbo, quoted a government official as saying.

Gas and power supplies to the shipyard were cut on Thursday night. Cafeterias inside the shipyard were shut, and 4,000 management workers were withdrawn, the company said. The Hyundai shipyard has about 24,000 workers on its payroll, and 20,000 of them are unionised.

The shipyard is the world's largest, capable of building 14 large ships simultaneously. Sales last year totaled $1.5bn. The shipyard is a subsidiary of the giant Hyundai group, which produces cars, computers and other consumer goods.

Japanese unemployment rate falls

By Robert Thomson in Tokyo

JAPAN'S unemployment rate fell from 2.1 per cent to 2 per cent in March, the lowest level for a decade, as the country's labour shortage worsened with the continuing strength of the economy.

Total employment was 1.53m higher than in the same month last year, the highest year-on-year increase since 1964, while the average unemployment rate for the fiscal year to end March fell 0.2 per cent to 2.2 per cent, the lowest level since 1981, according to the State Management and Co-ordination Agency.

The yen's weakness and Tokyo's stock market plunge this year have yet to slow demand for new employees, and it is expected that unit labour costs will increase by around 2.5 per cent this year, which was up from 0.6 per cent in 1989.

Ministry of Labour officials said yesterday that the ratio of job offers to seekers was 1.3:1 in fiscal 1989 and was 1.35:1 in the final quarter.

Mongolians defy a ban on protests

THOUSANDS of opposition party demonstrators confronted troops and police in the Mongolian capital yesterday, defying a government decree making such rallies illegal, witnesses said, Reuter reports from Ulan Bator.

It was the first time the Communist authorities had called in the army since Mongolia's democracy movement sprang to life last December. No force was used, however, and the two-hour rally was peaceful.

At least 10,000 people and 1,200 unarmed soldiers and police faced each other at noon in Sukhbator Square in the centre of the capital, a Western diplomat said. Other witnesses estimated there were 20,000 to 30,000 people in the square during the rally.

Police loudspeakers blared orders to leave the square but demonstrators sang a popular protest song "Honkh Nido" (Sound of the Bell) to drown them out.

The pro-democracy rally was one of the biggest in Mongolia, although organisers had hoped 60,000 people would turn out, one diplomat said. "My feeling is the opposition should be disappointed by today's turnout," he commented.

He said the Government showed confidence by sending in unarmed security forces and no orders were given to disperse the demonstrators.

"They made a show of force but didn't use force," he said.

At one point, President Punsalmaagiyn Ochirbat emerged from the imposing building which houses Mongolia's parliament to take a look at the rally in the square outside, a witness said. He said nothing and went back inside.

Mongolia, long dominated by the Soviet Union since becoming the world's second Communist state in the 1920s, has introduced democratic reforms rapidly and peacefully.

The rally followed abortive talks on Thursday between Ochirbat, who was appointed last month, and the opposition Mongolian Democratic Association (MDA). The MDA demanded that Mr Ochirbat establish a "temporary people's parliament" and an extraordinary commission representing all political parties before national elections are held.

Mr Ochirbat has pledged free elections for Mongolia's two million people in July but some fear the Mongolian People's Revolutionary Party will renege on its promise.

Norway to recover Israeli heavy water

By Karen Fossli in Oslo

NORWAY is to reclaim 10.5 tonnes of heavy water from Israel following three years of delicate negotiations and a series of embarrassing scandals over a 20-tonne shipment made in 1959.

A draft agreement signed yesterday in Oslo brings to an end a three-year affair in which Norway has been denied access to Israel's Dimona nuclear plant in the Negev desert where it has been seeking to verify that the heavy water was used for peaceful purposes only.

The deal, signed by Mr Knut Vollebaek, Norway's Foreign Secretary, and the Israeli ambassador calls for Norway to pay *NKr12m (£1.1m) for* the return next year of just over half of the water shipment. It also terminates the original heavy water sales agreement between the two countries, though it must be ratified by their respective parliaments.

Heavy water, or deuterium oxide, is used to produce plutonium which in turn is used in the production of nuclear weapons.

Norway will dispose of the heavy water at two of its nuclear research reactors, which are under the supervision of the International Atomic Energy Agency (IAEA).

Norway became concerned about the delivery when Mr Modechai Vannunu, former Israeli nuclear technician, told London's Sunday Times in September 1986 that Israel had produced up to 200 atomic bombs in 20 years. He had worked at the Dimona reactor for nine years.

Norway inspected the heavy water in 1961, before it was used by Israel.

An accord signed between the two countries in June 1988 was meant to permit Norway to inspect about half of the original shipment. However, the Norwegian inspection was never undertaken.

After a series of scandals, including a 15-tonne shipment which allegedly made its way to India, Norway in November 1988 banned heavy water exports, though it allows dispensations for exports in small quantities for scientific research.

CORRECTION

Jewish Agency

Israeli Government financial backing for Jewish settlers in the Christian Quarter of Jerusalem's Old City was channelled through a subsidiary of the Jewish National Fund, not the Jewish Agency as stated in the FT of Monday April 23.

UK NEWS

Profits rise expected by Manchester businesses

By Ian Hamilton Fazey, Northern Correspondent

MOST companies in one of the most economically buoyant parts of northern England expect turnover and profits to rise in the next 12 months, according to a survey. It adds, however, that business confidence is delicately balanced and that worries about interest rates persist.

Manchester Chamber of Commerce and Industry co-ordinated the survey, which covers the first quarter of this year.

The views of 400 businesses employing 83,000 people in the area have been included in what is the largest regional study of industry and commerce in north-west England.

The survey reveals optimism and a belief in continuing economic growth over the region, which accounts for about 11 per cent of the UK's gross domestic product.

Many business owners predict a reversal of the north-south split, with the north enjoying improved prospects.

The survey finds that there was a slowdown in the net increase in jobs between the last quarter of 1989 and the first quarter of this year. The increase is expected to pick up again in the current quarter, with only 13 per cent of manufacturers and 6 per cent of service sector employers shedding labour.

However, Mr Hamish McDonald, chairman of the Manchester chamber's economic committee, warned yesterday: "High interest rates remain the biggest problem. If inflation continues to rise and interest rates stay as they are, we may see a lot less buoyancy soon."

A similar survey by Tyne and Wear Chamber of Commerce also shows undiminished expectations of turnover and profits compared with six months ago, although hopes were higher a year ago.

It finds that more capacity is being used in the north-east while there is a fall in the already small proportion of businesses revising investment plans downwards. It says recruitment was lower in the first quarter than companies expected at the end of 1989.

Environment seen as influence on funds' investment decisions

By David Thomas, Resources Editor

MORE THAN a third of fund managers take environmental factors into account in reaching investment decisions, according to a survey conducted by James Capel, the stockbrokers.

Indices compiled by James Capel show that companies connected with the environment have outperformed the FT-SE 100 index.

The survey of almost 50 fund managers was carried out by Mr Roger Hardman and Mr Tim Steer, small-companies analysts at James Capel.

Almost all the respondents said they saw environmental pressures playing an important part in companies' future strategies.

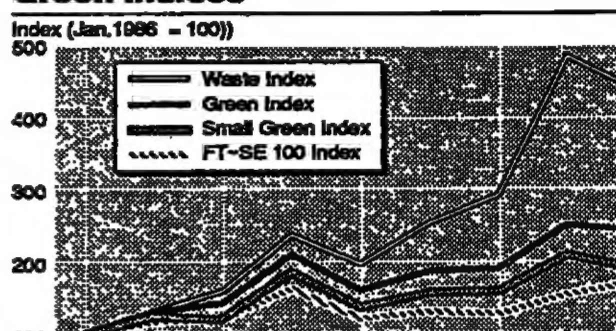
A total of 38 per cent claimed to take environmental factors into consideration in their investment decisions.

"This survey was of the general fund management community, not just the freaks with beards and open-toed sandals," Mr Hardman said.

"If I were a quoted company finance director contemplating my next acquisition, or a rights issue, I would be taking note of that 38 per cent."

Asked which sectors were most at risk from the new environmental climate, just over a half of respondents cited chemicals, while a fifth named oil companies and a tenth electricity.

Green indices



Source : James Capel

Almost a third quoted the waste industry as most likely to benefit from environmental pressures.

Just over a quarter pointed to engineering and 8 per cent to construction.

The inclusion of engineering and construction was explained by James Capel as reflecting the belief that those sectors will benefit from increased capital spending to meet tighter environmental regulations in industries such as water supply.

James Capel's three "green indices" show how companies connected with the environment have outperformed the FT-SE 100 index, which grew by 64 per cent between 1986 and 1989.

The Small Green Index grew by 81 per cent over that period. It consists of companies with a market capitalisation of less than £200m engaged in activities such as waste management, waste and water treatment and recycling."

The Green Index, which also includes bigger companies in those areas, grew by 135 per cent. An index consisting of the six quoted UK waste management companies grew by 317 per cent over the same period. James Capel describes that as "staggering."

"It is small wonder, with performances like that, that more people are taking account of 'green' factors in the investment world," Mr Hardman said.

NEWS IN BRIEF

National Provident Welsh move

NATIONAL Provident Institution (NPI) is to expand its operation in Cardiff less than two years after moving part of its operations to Wales.

Mr Kevin McBrien, general manager of the Tunbridge Wells-based mutual insurance company, said the group had bought a 70,000 sq ft office block to cater for the expansion.

NPI was one of the earliest large companies to take advantage of the South East Wales Financial Initiative launched two years ago to build up the financial community in that part of the principality.

Sunday bill founders

A FRESH attempt to change the law on Sunday trading in England and Wales foundered in the Commons yesterday when a private member's bill sponsored by Mr James Couchman, Conservative MP for Gillingham, failed to secure a second reading.

Mr Couchman wanted powers for councils to licence shops wishing to open on Sundays and opportunities for them to make observations on a code of practice designed to safeguard shopworkers. No comment was made from the Government front bench during the debate.

Acid house move

FINES of up to £20,000 or six months' imprisonment face promoters of so-called acid house parties under a private member's bill which completed its passage through the Commons yesterday. It will now go to the House of Lords.

Assurances were given by Mr Graham Bright, Conservative MP for Luton South and chief sponsor of the bill, that safeguards had been provided for genuine music festivals.

Opt-out appeal

THE Court of Appeal yesterday reserved judgment on Avon County Council's attempt to regain control of the 800-pupil Beechen Cliff School in Bath, which has opted for direct state funding under the Education Reform Act.

The council's appeal to the judges to overturn the Government's decision to allow the school to opt out is opposed by Mr John MacGregor, the Education Secretary, and by the school's headmaster and governors.

Ashley Ashwood

David Waddington: still sports a neat handkerchief in his top pocket and once wanted to be remembered as a "decent buffer"

Soft-pedalling the hardline image

David Waddington is belying his reputation, says Michael Cassell

MR David Waddington, one of the more unlikely Home Secretaries, was well into his plain-speaking, no-nonsense stride in the Commons this week when he dismissed the Strangeways rioters as "scruffy layabouts."

With a characteristically old-fashioned touch, for which he chides himself in public, he went on to describe the culprits as "ragamuffins."

At 60 Mr Waddington is one of the few MPs still sporting a neat white handkerchief in his top pocket. He talks of "pounds, shillings and pence" in assessing the damage in Manchester.

He has been Home Secretary since last October's sudden Cabinet reshuffle in the wake of Mr Nigel Lawson's resignation as Chancellor. Mr Waddington is regarded as an old-style politician with impeccable hardline right-wing credentials.

He reacts spontaneously and passionately to acts of lawlessness. Events are "disgraceful," "appalling" or "horrifying." In 1986 he said demonstrating students should be put across their parents' knees and thrashed, and he described the recent poll tax violence in London as "incredible wickedness." For his trouble, he had his car kicked in.

A "hanger and flogger," he is deemed to be the first of Mrs Margaret Thatcher's Home Secretaries to share her gut instincts on law and order.

His record in the job so far, however, has tended to counter several elements of the image.

This week, for example, Mr Waddington found himself fighting what he was moved to described as "Ramboesque" demands from some Tory MPs that the siege should have been crushed quickly by the SAS in a cloud of tear-gas. He deftly avoided answering allegations that the Home Office had itself prevented the governor of Strangeways from ordering quick action to end the siege soon after it had begun.

MPs behind him could have been forgiven for thinking that a the Home Secretary might once have favoured a dramatic solution himself.

Mr Waddington's "play it straight" approach has also led to outbreaks of disarming frankness of the type not always readily associated with top-rank politicians. On Thursday he acknowledged that there had been some mistakes at Strangeways. He said in effect that he preferred egg on ministerial faces to blood on the rooftops in Manchester.

Mr Waddington, a Burnley-born barrister whose political prospects for years appeared modest and who is on record as saying that he merely wanted to be remembered as a "decent buffer," now also has to steer through the Commons the controversial proposals to give British passports to 50,000 Hong Kong residents and their families.

As a junior minister in the Home Office his antipathy to wholesale immigration soon became clear. But while he was tough he was also to prove fair. He virtually removed the right of MPs to intervene in deportations, though he overturned cases where he saw any injustices.

On his return to the Home Office he initially opposed the Hong Kong plans. He subsequently accepted them, more as an unavoidable obligation than as something in which he deeply believed.

While unhappy about the prospect of 250,000 Hong Kong Chinese arriving in Britain, he could not bring himself to exclude those who had spent their careers in the service of the Crown. Whatever his continuing reservations, he has kept them to himself.

On crime and punishment, he is not the undiluted hardliner of repute, although one of his first acts on returning to Queen Anne's Gate, headquarters of the Home Office, was to call for a victims' charter to help those suffering as a result of crime.

As a former barrister and crown court Recorder, his views about punishing less serious offenders have altered. He has been able to maintain the blueprint of Mr Douglas Hurd, his predecessor, for rehabilitating convicted criminals in the community.

He is genuinely pleased at the recent, if modest, fall in the prison population. He has no wish to see young people sent unnecessarily to prison.

But his authoritarian streak makes him believe in seeing the punishment fitting the crime and he still supports the ultimate penalty for those who deserve nothing less. He has, however, done nothing to resurrect that particular debate.

Virtually written off politically when he lost his original seat in 1974 – he called it "a bad day for the country and for civilisation" – he has squeezed his political successes, from junior whip via the Employment and Home departments to Chief Whip and the Cabinet, into little more than a decade.

He admits to having been "flabbergasted" when he was telephoned from Downing Street last autumn.

He, in turn, called his wife to tell her: "Brace yourself - it's Home Secretary."

He has not stopped for breath since. Even if it all ends in a couple of years, he will have had the opportunity to be his own man in a way he never expected.

Lithuania closer to suspension of independence

By John Lloyd in Vilnius

MRS Kazimiera Prunskiene, the Lithuanian Prime Minister, yesterday moved closer towards accepting the suspension of Lithuania's declaration of independence.

At the same time the Lithuania parliament said it had given the republic's government wide-ranging powers to help it fight the effects of the Kremlin's economic blockade.

Mrs Prunskiene said "this position could be considered in our parliament. Perhaps our task is to give it a full content, to say exactly what should be suspended, certainly without repealing the decision of March 11 (when Lithuanian independence was declared)."

The Prime Minister was responding to the proposal made on Thursday by President Mitterrand of France and Chancellor Kohl of West Germany that the laws adopted by the republic on and since March 11 should be suspended as a means of opening negotiations with Moscow.

Earlier President Vytautas Landsbergis gave a cautious but also a relatively open response to the two leaders' appeal. In a statement he said that the Lithuanian leadership "greatly appreciating this act of goodwill on the part of two noted leaders will carefully study this letter's proposal".

"Lithuania also desires that a dialogue between the two countries begins as soon as possible," he said.

However the Lithuanian leaders doubt the ability of Mr Mikhael Gorbachev, the Soviet President, to accept suspension rather than repeal as a basis for negotiation on his side, because of pressure from the Soviet military and party hardliners.

Mrs Prunskiene who tomorrow leaves for a visit to Canada and then to the US said that "from what Gorbachev said in Sverdlovsk (where he has been on a visit) it seems that his position is more severe".

Yesterday, an anti-blockade commission was busy considering ways to beat the economic blockade and ensure the supply of vital materials.

Mr Romula Ozolas, the deputy prime minister, said that "we have found a way of breaking through the blockade - in horizontal links with the Soviet Union".

He repeated the claims that enterprises in Moscow, Leningrad, Lvov and Kaliningrad would conclude contracts with corresponding enterprises in Lithuania to supply goods and the raw material in return for foodstuffs.

The new powers which were pushed through on Wednesday but only released yesterday by the government's information office, also include the right to introduce rationing, to remove the heads of state enterprises and other organisations, and to forbid the transfer of manufactured goods and raw materials outside the republic.

The Lithuanian government was forced to adopt the measures because of Moscow's continuing economic blockade against Lithuania in an attempt to force the republic into delaying for two years its declaration of independence.

"The leadership of the USSR, in violation of economic laws adopted by the Supreme Soviet of the USSR and the economic contracts based on them, began and is expanding its economic blockade on the republic of Lithuania," the law said. It added, that the republic's parliament was "attempting to guarantee the vital needs of the residents of Lithuania under conditions of an economic blockade."

The parliament also passed laws which empowered the government to appoint its own representatives to factories and offices to ensure the planned measures were carried out while the government would also be able to alter the plan, dissolve economic contracts without penalties and restrict the laying off of workers under the new law.

Within Lithuania itself, there now exists a substantial and growing body of opinion within the Sajudis movement and in the public which leans towards a compromise to get talks going.

But it is still far from certain that a resolution to suspend the independence declaration and subsequent laws would get through the Supreme Council which has so far had a solid majority against concessions.

EC explores payments union for E Europe

By David Buchan in Brussels

THE EUROPEAN Community is exploring the idea of helping East European countries to set up a hard currency payments union to help them settle mutual trade more efficiently. However, it has run into economic and problems surrounding the involvement of the Soviet Union.

Moscow has got wind of the EC plan and indicated that it would not take kindly to being excluded from any such system, Mr Gianni De Michelis, the Italian foreign minister, told journalists when he visited New York this week.

Commission officials confirmed that they were examining a payment clearing system – akin to the post-war European Payments Union – as one of several possible means of helping Eastern Europe, but had hit a dilemma regarding the Soviet Union.

A payments union without the Soviet Union, still the largest single trade partner for each East European country, would be too narrow, but Soviet inclusion would probably put too much strain on such a system's financial resources.

The idea of a hard currency payments union would be to let East European countries do what they cannot at present do through Comecon: net out a deficit with one partner with a surplus with another trading partner; and in the case of hard currency, make limited reserves go further.

An EC or Western contribution might take the form of a hard currency loan or grant paid into the payments pool, and of help in running it.

Consideration of the payments scheme stems from concern that, as one official put it, "unless something is done intra-Comecon trade will contract much faster than we can provide market openings (for Eastern Europe) in the West." It also marks a growing realisation that however deep Brussels' distaste for Comecon the EC will have to foster and deal with some trade structure in the East.

Considerable reservations about the scheme exist, officials say. The EC does not want to do anything to underpin an East European price structure in drastic need of market-orientation. The only last solution for Eastern Europe is felt to be a move to full currency convertibility and world market pricing.

EC political union sweeps all else aside

David Buchan previews the European Community meeting in Dublin today

THE TOPICS which European Community leaders were originally convened to discuss in Dublin today – Community aspects of approaching German unity and relations with Eastern Europe – have been relegated almost to the status of "any other business".

Political union will dominate the summit, not only because it concerns the Community's ultimate destiny, but also because of sharp differences among the Twelve over substance and procedure.

It is now clear that, in parallel with treaty revision setting up some form of monetary union, the Twelve will soon begin remoulding the Community's political institutions.

The only question - a procedural one - is how fast today's summit will start the political reform ball rolling.

■ Substance: Over lunch in Dublin Castle EC leaders are expected to discuss their alternative visions of political change. Belgium has already tabled a plan which would extend majority voting in the Council of Minsters on EC laws, genuine co-decision on legislation by a European Parliament that would also elect Commission presidents, reinforcement of European Court powers, and common security policy-making.

Overlapping this now is last week's tandem letter by Chancellor Helmut Kohl and President François Mitterrand. Long on political weight, but short on detail, this calls for increased democratic control in the EC, improved institutional efficiency, greater economic and monetary coherence, and a common security policy.

Faced with emerging EC majority backing for these plans, the British Government has adopted a two-track response: Rhetorically, it is reminding its partners that the Community already has an over-full agenda on its plate – negotiations with Gatt, Efta and Eastern Europe on the outside, and on German and monetary union on the inside.

"It is facile to say with a merry laugh that we can deal political reform as well as all these other things," said a UK diplomat this week.

But Mr Jacques Delors, Commission President, gave just such a laugh when he said: "I have a moral pact with Douglas Hurd (the UK Foreign Secretary) that we will do everything in our power to deal with these priorities, and in our leisure hours we will reflect on the political dimension."

Concretely, the UK Government has proposed that the European Parliament be given greater accountability (as much in a financial as in a democratic sense) over EC budget money, as well as beefed-up powers for the Commission and Court to chase up legislative laggards among the member states. This is too chilly and limited an alternative to have much Euro-appeal; but the very fact London has made some proposals means that; the political reform debate is truly launched; and the Thatcher Government may win some respite on the timing.

■ Procedure: The key "when" question is whether to call today a second treaty-revising conference, or delay that decision until the next Dublin summit in June. Mr Delors has said he would prefer the delay, and the Irish presidency would probably, too. Chancellor Kohl and President Mitterrand have said they want today's meeting to set a firm calendar. If by this they mean an immediate conference-setting decision, and if they push their wish, combined Franco-German muscle will probably prevail.

But a likely compromise may be a strong pro-union statement, with EC foreign ministers charged to make thorough preparation for their leaders in June to be able to announce the start of formal treaty revision by end-1990 and possibly ending by January 1993.

■ German unity: EC leaders will today have before them a Commission paper on the EC implications of approaching German unity. On the non-controversial basis of this, they will bless the marriage of the two Germanys, with West Germany's partners demanding, and Chancellor Kohl accepting, close consultation between Brussels and Bonn on the speed and manner with which East Berlin comes under the Community roof.

The Commission has not been able to put any overall price tag on the EC budgetary impact of incorporating East Germany; its paper says "any figures are bound to be guesswork at this stage", given the paucity of trusty statistics on East Germany, uncertainty as to the precise effect of East Germany entering the D-Mark zone in July, and to transition measures given various East German sectors before they must bear the full weight of EC rules.

Mr Delors has called on Bonn's EC partners to make East Germany a special "fraternity" payment, in advance of EC entry (as was once done for Portugal), while accepting as everyone (including Bonn) does that the lion's share of East German adjustment costs will come out of the West German pocket.

Cost-counters, with Mrs Margaret Thatcher prominent among them, will not only want to scrutinise any money figures, but also transition periods for East Germany.

These are a cost that others pay, to the degree East Germany is sheltered from EC rules, while having the EC market open it.

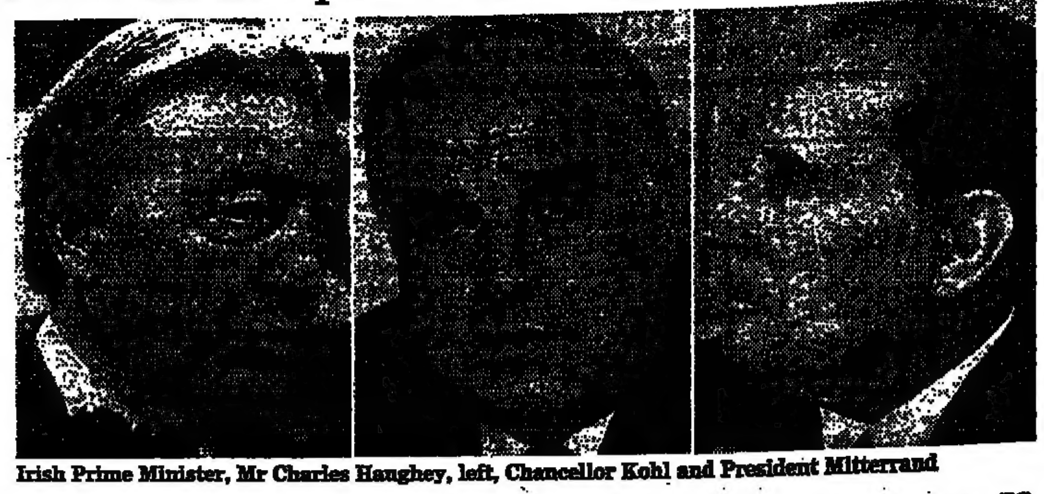
■ Eastern Europe: The easiest item on the agenda concerns the Commission's proposal to offer East European countries so-called second generation association accords.

In contrast to the round of just-completed trade and economic co-operation deals, these agreements (dubbed "Europe agreements" to mark them from arrangements with a variety of non-European states) would offer the East Europeans a regular political dialogue and financial aid, and hold out the carrot of eventual free trade.

They would, significantly, be tailored to East European progress in political and economic reform and, pointedly, do not refer specifically to possible EC membership. But, as Mr Delors reiterated this week, the new agreements are not intended to "divert" countries from applying one day to join the EC club, if they so chose.

Off the agenda but in Dublin Castle's corridors, the question of who will head the new European Bank for Reconstruction and Development (EBRD) and where it will be sited may get settled.

The likelihood is that Mr Jacques Attali, a Mitterrand adviser will get the chance to head the EBRD he first dreamt up, but that he will have to move to London to do so.



Irish Prime Minister, Mr Charles Haughey, left, Chancellor Kohl and President Mitterrand

Poland lists first five privatisation targets

By Christopher Bobinski in Warsaw

A CHOCOLATE maker and a cutlery producer have been included in a list of the first five companies that the Polish Government wants to sell off under its ambitious privatisation policy.

Draft privatisation laws are going through parliament under which foreign investors would have the right to buy up to 10 per cent of a share issue without special permission from Poland's foreign investment agency.

The five companies are Exbud from Kielce, a construction company which specialises in foreign contracts; the Prochnik garment manufacturer from Lodz, a major exporter to the West; Hefer a Warsaw cutlery producer; the Silesian Cable Factory from Czechowice; and Wedel, a chocolate company employing several thousand people in Warsaw. The Government would like to sell up to 100 enterprises by the end of this year.

The list fits the Government's stated aim of putting well-run profitable companies with a high share of export earnings on to the market first.

Exbud is the most advanced in its preparations for privatisation, but at Wedel the local Solidarity organisation is suspicious of the sale.

The first step according to the draft legislation is that the companies will be turned into joint stock companies the shares of which will then be sold on the open market. Employees will have the right to buy up to 20 per cent of the shares at preferential rates.

The legislation has been criticised for not going further in encouraging shop floor share ownership.

Athens raises VAT and puts levy on profits

By Kerin Hope in Athens

THE NEW Greek conservative Government yesterday announced an increase in VAT and a surcharge on private sector profits for 1989, only hours after winning a parliamentary vote of confidence.

The economic package, which is intended to bring in revenues of more than Dr300bn (£1.1bn) over the next few months, also included price rises for petrol, tobacco, alcohol, public transport and utilities.

Mr Constantine Mitsotakis, the Prime Minister, told parliament that urgent measures were needed because last year's record budget deficit of Dr2 trillion ($12.5bn) "has brought Greece to the gates of bankruptcy."

The increases are expected to add 3.59 per cent to annual inflation, which is currently 17.8 per cent.

However for the first time in two years they will not be covered by automatic index-linked wage rises for public sector employees.

The two median VAT rates will be raised by two percentage points to 8 and 16 per cent, but the highest rate of 36 per cent on luxury goods remains unchanged.

Companies and self-employed professionals will pay a special levy of 7 per cent on net profits for 1989. The conservatives, who won a narrow majority in the April 8 general election have pledged to cut last year's record public sector borrowing requirement of 22 per cent of GDP by 3 percentage points this year.

Mr Boris Yeltsin (above), in London yesterday to meet Mrs Thatcher, said the Soviet leadership may face a grass roots revolt later this year, PA reports from London.

He said President Gorbachev had only several months to produce real improvements in the Soviet economy. In typically outspoken fashion, he criticised Mr Gorbachev for his handling of the Lithuanian crisis, the fall in living standards and failure of reforms.

Nicaragua in 50% devaluation

By Tim Coone in Managua

THE Nicaraguan currency underwent a 50 per cent devaluation on the official parallel market yesterday as the new Government adjusted exchange rates to bring order to the chaotic local currency market.

The officially-sanctioned tourist rate for the US dollar, which was established by the last Government to compete with the illegal black market, is now 140,000 cordobas for $1. The official exchange rate, used for visible trade transactions, set at 53,800 cordobas to the dollar, is expected to undergo a similar devaluation in the coming days.

The Central Bank yesterday issued new banknotes of one million and half million-cordoba denominations.

Dr Francisco Mayorga, the new Central Bank president, told reporters this week that a new currency, the Cordoba Oro (Gold Cordoba), would be introduced in July which would have a one-to-one parity with the US dollar. It would be introduced initially for foreign trade transactions, but would gradually replace the old currency. The aim is to maintain the new currency's parity with the dollar.

Dr Mayorga reiterated the aim of bringing down inflation to manageable levels "within 100 days." The official figure for inflation in 1989 was 1,689 per cent.

He said that some $370m in external financial assistance had been promised to Nicaragua, including $300m from the US, which was sufficient to put the new Government's economic stabilisation plan in motion.

Hungary tries to boost confidence

By Nicholas Denton in Budapest

HUNGARY'S Prime Minister in waiting, Mr Jozsef Antall, moved yesterday to restore international confidence in the future Government's economic policy after his party's election victory provoked significant withdrawals on foreign deposits from the Hungarian National Bank.

Mr Antall, leader of the conservative Hungarian Democratic Forum, condemned as "unfounded and unjustified" the withdrawals from the bank and "other financial manoeuvres," an apparent reference to reports of difficulties with syndicated credits.

He said forces inside and outside Hungary were undermining faith in the country's stability.

Foreign investors and financiers have been worried that the need to satisfy the populist wing of the forum and the rural-based smallholders' party, the Forum's main coalition partner, would constrain economic policy after Mr Antall takes power next week.

But Mr Antall suggested that the International Monetary Fund would have more influence on policy than these groups. The Forum consulted Mr Gyorgy Szapari, the IMF's representative in Hungary, and the organisation "on all steps and on the formulation of the government programme."

Mr Antall said the cabinet and the economic posts would be filled by technocrats who were close to the coalition parties but not necessarily members.

He appears determined to maintain an economic policy whose most striking feature is the continuity with that of the outgoing Socialist government of Mr Miklos Nemeth.

NEWS IN BRIEF

US annual growth rate put at 2.1 per cent

THE US economy grew at an annual rate of 2.1 per cent in the first quarter, while the underlying inflation rate reached 6.5 per cent, according to preliminary estimates from the Commerce Department, Anthony Harris writes from Washington.

Market economists had expected higher growth and lower inflation, and the figures were regarded as somewhat disappointing, but the reaction was very subdued. About half the rise in the inflation indicator – the fixed-weight deflator – was officially attributed to energy and food prices, where large increases in January followed unusually cold weather in December.

The real growth trends were more than usually distorted by special factors.

The motor industry, and some retail sectors, made successful efforts to clear excessive stocks by cutting prices during the quarter; this led to some acceleration in consumer spending, which rose by $16bn (0.6 per cent), four times as much as in the previous quarter; but this was more than offset by a combined reduction of $46.3bn in real inventories in cars and retailing.

On the positive side, the unseasonably warm weather produced a recovery in construction, though utilities' sales were cut.

Italy to free capital on May 14

The Italian Government yesterday set May 14 as the historic day from which Italians will be free to move unlimited amounts of capital into and out of the country for the first time since 1917, John Wyles writes from Rome.

The issuing yesterday of an administrative decree lifting the last residual restrictions on currency movements brings Italy into line with the European Community's directive requiring the full liberalisation of exchange controls by July 1.

It means that from mid-May Italians will be able to open bank accounts abroad, export up to L20m (£9,850) without using the banking system and invest in the full available range of foreign instruments. However anxious to monitor capital movements of dubious origin or intent, the Government also approved a decree-law yesterday which requires all transfers above L20m to be made through banking channels.

French pledge on immigrants

France is determined to stem illegal immigration from East Europe and Africa ahead of the 1993 opening of European Community borders, the Interior Minister, Mr Pierre Joxe, said yesterday, Reuter reports from Marseille.

Speaking after touring French border posts, Mr Joxe said an end to border restrictions between EC states "does not mean that anybody can come into France without constraint nor controls".

The Socialist Government is under increasing pressure from the conservative opposition and right-wing groups to curb immigration by North and West Africans. Violence aimed at immigrants has been on the increase.

Race for Greece's grand design

More than 400 architects from throughout the world are competing to design a new Acropolis Museum to house the treasures of Greek civilisation, the Culture Minister, Mr Tzannis Tzannetakis, said yesterday, Reuter reports from Athens. The $20m (£12.3m) complex will be part of a bigger project to landscape the area around the Acropolis hill where the Parthenon temple, built in the 5th century BC, towers over Athens. The Government hopes it will be ready by 1996 when Greece aims to host the Olympics

Austrian bank president dies

The President of Austria's National Bank, Mr Hellmuth Klauhs died during the night at the age of 63, the bank announced yesterday, AP reports from Vienna. Until a relacement is named, the bank's first vice-president, and former general director, Mr Heinz Kienzl, is to take over as acting president. Mr Klauhs was appointed president of the National Bank on September 1, 1988.

Albania moves cautiously to end years of isolation

By Judy Dempsey in Vienna

AFTER decades of self-imposed isolation, the Albanian authorities are embarking cautiously on economic and political changes which are likely to have a significant impact on its domestic and foreign policy.

The changes, outlined in a recent speech to the central committee by Mr Ramiz Alia, leader of the ruling Party of Labour of Albania, called for a shake-up in the economy, in the PLA, as well as raising the possibility of establishing diplomatic relations with the Soviet Union and the US.

But in a speech which noticeably refrained from criticising the Soviet Union for its wayward path towards "revisionism," Mr Alia, who succeeded Mr Enver Hoxha after his death in 1985, singled out his own party's bureaucracy and corrupt officials for hindering economic development.

He said: "Bureaucracy and routine are not easily uprooted," adding that over the past three months, more than 260 directors and officials had been replaced by younger people.

The changes were aimed at "democratising the life" as well as boosting the efficiency of the country's economy which, judging from his speech, is facing serious problems.

For instance, last year's drought caused energy shortages which led to a drop in exports, "forced the government to close down some plants . . . such as ferro-chrome (enterprises) and to import electricity."

He also blamed the changes and disorders in eastern Europe "and in the new political and economic restructuring in Europe" for the difficulties.

Yet, contrary to his predecessor who would have simply dealt with the problems by proposing stricter ideological vigilance, Mr Alia proposed making enterprises self-financing partly by linking wages to productivity as incentives which would boost output.

The economic difficulties at home and the changes in the Soviet Union and eastern Europe may explain Tirana's shift in foreign policy. However Mr Alia claimed that isolationism "has not been and cannot be our line," and added: "The problem of re-establishing diplomatic relations with the United States and the Soviet Union is on the agenda."

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UK NEWS — EMPLOYMENT

British Steel reaches local pay agreements

By Lisa Wood, Labour Staff

BRITISH STEEL announced yesterday that it had reached agreement with unions in the first of its new locally negotiated pay deals under decentralised bargaining arrangements.

The deal, which has been agreed by the Iron and Steel Trades Confederation and the craft unions at the strip products division, provides for a general increase of 7.5 per cent, together with the consolidation of two per cent from previous bonus payments.

In addition there is a one-off payment of £225 reflecting, said British Steel, the substantial improvements in profits performance by the strip products division last year. This division includes the Shotton plant in Wales and Ravenscraig in Scotland.

British Steel said implementation of the award was subject to the signing within six weeks of related new works agreements to incorporate further improvements in costs and performance targets. The company said these were plant level agreements and were related to improving performance. These could but did not necessarily include changes in working practices.

The company said: "The agreement maintains the direct link between performance and pay which has been the foundation of British Steel's recovery since 1980 and the company's 'something for something' approach to pay."

It said discussions were continuing at company level about proposed improvements in the British Steel pension scheme which it said was recognised as meeting the trade unions' aspirations for a shorter working life for their members.

Separate negotiations are currently being held with the general steels division and about to begin with the stainless and diversified products divisions. Representatives of the *ISTC* were yesterday locked in talks with management concerning the steel division and unavailable for comment on the agreement in the strip steels division.

The company began to press last year for the end of national pay bargaining and the devolution of negotiations about pay, working hours and sickness to its four business divisions.

The executive of the ISTC, the largest steel union, rejected the plan but changed its stance after branch discussions with its membership. A two-year national pay deal, negotiated in 1988, ended last month.

Benefits for part-time civil servants agreed

By Michael Smith, Labour Correspondent

CIVIL SERVANTS who work less than 15 hours a week are to enjoy significantly improved employment conditions as part of the Government's drive to bring more part-timers into the public sector.

From the beginning of this month they were given similar rights to full time employees in incremental pay progression each year, sick pay, maternity pay, notice periods and salary advances before Christmas.

The changes are aimed at making part-time work more attractive to tackle growing recruitment problems which all employers are facing because of a decline in school-leavers.

Initiatives already announced by the Government – including allowing civil servants who work 15 hours or more to join the pension scheme – have already helped to increase the number of part timers in the service.

Last year the number of female civil servants working part-time rose to 29,250 from 26,500 in 1988. Male part-timers rose from 1,400 to 2,600.

Overtime ban at R-R over tea break

By Michael Smith, Labour Correspondent

MANUAL workers at the Parkside, Coventry, plant of Rolls-Royce have begun an overtime ban in protest at the company's plans to end the traditional morning tea break.

The 1,600 workers at the aero-engines factory voted by *nine to one for the ban after* hearing management proposals that workers should take refreshment while continuing to work at their machines.

The company wants to ban the reading of newspapers and books during refreshment times.

Its proposals are part of negotiations to cut the working week from 39 hours to 37.

In the unions' national campaign for a shorter working week, tea breaks have been among the most controversial issues for shopfloor workers and have held up progress in talks across the country.

They were a significant factor in the duration of a 23-week strike at the British Aerospace plant at Kingston-Upon-Thames.

Managements are keen to shorten or end tea breaks because they see such as moves as offsetting the cost of hours cuts which they insist should be self-financing.

At Parkside, union negotiators have accepted everything in the managements' 37-hour package except for the clause which would abolish tea breaks.

They held the ballot because they felt the company would not withdraw the tea break abolition without action.

Mr Tom Hartopp, AEU convenor at the plant, said: "The tea break has been part of the scene since the year dot.

"It's intense work and the lads need their 10-minute morning break to switch off and unwind."

Rolls-Royce said: "The company is seeking an arrangement whereby refreshment can be taken according to individual need and without disruption to the business, a practice which has operated successfully during afternoons since the introduction of the 39 hour week."

Teachers baulk at differential in pay scales

Norma Cohen looks at reaction to the Government's offer on wage negotiations

The olive branch held out to teachers this week, offering a return to the negotiating table, contains a thorn or two.

Mr John MacGregor, Education Secretary, in spelling out proposed machinery for teachers unions to reach pay agreements on behalf of members includes at least one clause which is anathema to teachers. It opens the door to the possibility of regionally negotiated pacts, allowing local authorities to set salaries for teachers *which are separate from the* national pay spine.

The six major teaching unions will be meeting on Monday to decide how to respond to Mr MacGregor's specific proposals. And while the nation's two largest unions, the NUT and the NASUWT, disagree over whether salaries should be negotiated or arbitrated, all the unions support the concept of a single national pay scale for members.

The proposal to allow regional pay pacts goes to the heart of the Government's efforts to design an educational system that is responsive to market forces. After all, if school funding is dependent upon parental choice, why should teachers' salaries be any different?

Why should some councils not be allowed to pay teachers over the national pay scale in an effort to satisfy "customers," or be allowed to pay teachers less if they think market forces will allow?

Teachers at the NUT conference in resolute mood

Furthermore, the prospect of higher salaries for teachers in say, maths, might inspire more students in teacher training to specialise in that subject, thus allowing market forces to alleviate shortages in the supply of maths teachers.

Significantly, Mr MacGregor's proposals are silent on whether the Government would have a veto right over salary agreements struck between local authorities and teachers' unions if it thought the settlement too generous.

The proposal for a national framework allows the Government a veto over pay deals which give teachers more than the median salary paid to other white-collar professionals.

In principal, a certain amount of local flexibility has already been built in to the pay structure which has governed teachers' salaries for the past three years.

The Interim Advisory Committee, which was set up to award pay after the breakdown of negotiations led to a series of bitter strikes in the mid-1980's, allowed local authorities to recognize regional differences in its 1990 pay award.

For instance, teachers in inner London may be allotted an additional £750 allowance, while local authorities have the ability to give extra pay to teachers with additional responsiblities or more experience.

But what teachers object to most is the prospect that pay scales could truly be held hostage to market conditions, with teaching jobs in subjects where shortages exist offering the highest salaries.

That would mean that say, a physical education teacher could be paid one salary while a maths teacher, working the same number of hours and with the same training, could be paid twice as much.

Ironically, local authority employers are little more enthusiastic about the prospect of negotiating their own pay deals with teachers than are the teachers themselves.

In its 1988 report on teacher pay and conditions, the IAC concluded that regional or local pay agreements, or differentiations in pay by subject matter, posed many problems, including a lack of flexibility.

"Today's shortage subject may next year be in adequate supply; today's depressed area could be a prosperous region in the 1990's," the IAC wrote.

Furthermore, it might only redistribute shortages, since, in the short term, at least, the supply of teachers in schools of all levels is a relatively inelastic one.

Mr David Whitbread, deputy education officer of the Tory-dominated Assocation of County Councils, argues that as long as the supply of teachers is artificially controlled – by the ceiling set on the number of teacher training slots at universities and polytechnics – it is not reasonable to allow market forces to apply to teachers' pay talks.

Such solutions, he said, may only force authorities to outbid each other for teachers, driving up the cost of education for everyone. Only two local authorities, Kent County Council and the London borough of Wandsworth, are believed to *have expressed an interest in* opting out of national pay talks.

The local authority employers have some experience of union resistance to what was perceived as an attempt to weaken a national pay framework. Last summer's dispute with 750,000 local government white-collar workers erupted over this issue as well as pay levels.

But since the dispute, two county councils and a number of smaller district councils have opted out of the disputed national agreement.

Mr MacGregor's proposals for teachers' pay are a further significant step towards bringing all groups of public sector workers within pay bargaining arrangements that meet the Government's wish for flexibility as well as union's concern for comparability with private sector workers.

Most insurance groups agree 9% pay settlements

By Fiona Thompson, Labour Staff

MOST insurance companies have agreed pay settlements in excess of 9 per cent for 1990.

An examination of the deals reached at the big companies also highlights the increasing trend towards performance-related pay.

At **Royal Insurance**, the 18,000 UK employees are in two separate bargaining groups. The 9,500 Royal Life staff reached a January 1 settlement of 9 per cent, which was partially a cost of living increase and part merit pay.

The 8,500 employees at Royal UK, the general and motor side, settled on April 1 for a deal adding 9.7 per cent to the pay bill – all performance related.

At the **Prudential**, 6,500 staff are voting at the moment on a 9.5 per cent cost of living increase. The MSF general, technical union has recommended acceptance. There is a separate performance-related pay element once a year.

At **Norwich Union**, the 9,500 non-supervisory staff represented by MSF agreed a 9.5 per cent rise from April 1. The 2,000 supervisers and middle management staff received 10.5 or 11.5 per cent.

Eagle Star negotiated a complicated 28-month deal with its 7,000 UK staff which will run through to May 1992, when all increases will be completely performance related.

From January 1 this year, all staff got a 9 per cent cost of living increase. In addition, the 3,500 clerical staff will get birthday increments worth about 3 per cent, and a July appraisal review for the 3,500 technical and supervisory staff will add between zero to 7.5 per cent depending on performance.

From January 1, 1991, all staff will get a cost of living payment equivalent to one-third of the Retail Price Index figure plus 1 per cent – leaving management to renegotiate if RPI is below 3 per cent or above 9 per cent. Additional performance-related payments will be made that May.

General Accident introduced performance related pay for its 10,000 staff in April 1989. The minimum increase for acceptable performance that year was 6 per cent and the average increase was 10.5 per cent. This year scale minimums have been increased by 7 per cent and maximums by 15 per cent. The minimum increase for acceptable performance is 7.5 per cent.

At **Legal & General**, there are four bargaining groups, two of which have accepted pay offers and the other two rejected. Life and pensions, the largest group with 4,000 staff, rejected a cost of living offer worth 8.5 per cent plus a 5 per cent cash lump sum bonus.

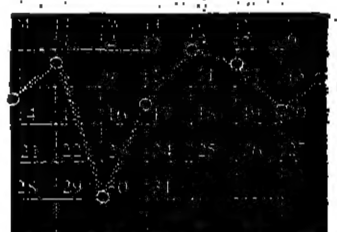
The general insurance section with 1,300 staff has accepted an offer comprising an 8.5 per cent increase, a further 2.5 per cent increment, plus a cash, once-off £500 or 4.5 per cent.

The small investments division accepted a deal worth about 12 per cent, partially performance related. The property division rejected an 8 per cent offer.

At **Commercial Union**, the staff union has lodged a claim for a substantial real increase for the 8,000 employees.

Sun Alliance settled at 9 per cent for its 3,000 clerical staff, and 8.5 per cent for senior technical staff and middle management.

The management has reached agreement with staff to introduce performance-related pay after a system is designed and agreed. The intention is a January 1, 1991 starting date.



ECONOMIC DIARY

TODAY: European heads of government meet in Dublin to discuss German reunification.

TOMORROW: BSB full national service launched. International 33-nation conference in Washington on the environment (until May 2). Mr Toshiku Kaifu, Japanese Prime Minister, begins tour of Asia with a three-day visit to India. Mr Douglas Hurd, Foreign Secretary, visits Warsaw (until May 2).

MONDAY: Quarterly house purchase finance statistics *(first quarter). New vehicle* registrations (March). US personal income (March); single family home sales. Duke of Edinburgh speaks at Confederation of British Industry 25th anniversary conference, Centre Point.

TUESDAY: CBI industrial trends survey for April. Rank *Xerox statement on business* plans for Soviet Union and Eastern Europe.

WEDNESDAY: UK official reserves (April). London sterling certificates of deposit (March). Bill turnover statistics (March). Monetary statistics, including bank and building societies balance sheets *(March). Sterling commercial* paper (March). Advance energy statistics (March). Overseas travel and tourism (January/February). Detailed analysis of employment and unemployment, earnings, prices, and other indicators. Emergency meeting of the Organisation of Petroleum Exporting Countries. Exploratory talks in Cape Town between the South African government and the African National Congress on how to end apartheid (until May 4). Mr George Bush, US President, meets Mr Michael Manley, Jamaican Prime Minister, to discuss political and economic devlopments in the Caribbean. Meeting of trade ministers of US, EC, Japan and Canada in Napa, California (until May 4).

THURSDAY: Local authority elections. Seminar on European Community/EFTA negotiations in Lucerne. Latvian Supreme Soviet meets in Moscow.

FRIDAY: Mr François Mitterand, French President, visits London for Franco-British summit. Federation of Civil Engineering Contractors statement on workload survey.

LONDON TRADED OPTIONS

FUTURES and options trading was dominated yesterday by interest in the FT-SE instruments, both the futures contract and the options.

Traders said this reflected considerable nervueness in the underlying share market as the *long Easter trading account* came to a close amid a host of speculation that further bad news from the property and construction industries might be in the offing.

Some marketmakers were caught out in the morning when a widely expected rally in equities was suddenly and sharply reversed. And the final seconds *of trading in the FT-SE future* were distorted by the sudden appearance of a US bank which bought the June contract as it exercised put options in the index. The Footsie future closed at a 35 point premium.

The US GNP figures for the first quarter were not well received, *and for the second half of the* session, London was content to follow trading in US bond futures. There were further suggestions in the marketplace that the relevant US authorities were about to issue bonds in connection with the operations to help the US thrift industry.

Among the share option features, Grand Metropolitan came *under pressure after its pubs and* breweries deal with Elders IXL was sent to the British Monopolies and Mergers Commission. The most active feature was Hanson, but traders said the business represented little more than minor positioning by marketmaking firms.

Second most active was the Euro FT-SE index, but heere again the trade was identified as emanating from a couple of sources. The rest of the day's active list, taking in British Steel, BP, Brit Airways and Brit Gas, lacked excitement. The day's total business in options was 43,153, only slighly higher than Thursday's 43,020, and comprising 18,004 calls and 25,089 puts.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allid Lyons (*411)	390	33	47	59	11	15	20
	420	17	32	42	22	30	33
	460	7	18	26	58	60	62
ASDA (*92)	80	17	19	21	2	4	5½
	90	9	12	15	5	8	9
	100	4½	7½	10	11	13	15
Brit. Airways (*197)	180	20	27	32	4	6½	7
	200	7	16	18	14	16	17
	220	3½	8	11	28	29	30
SmKl Beecham A. (*466)	460	31	45	58	16	21	25
	500	13	25	37	39	43	46
	550	5	12	–	85	84	–
Boots (*250)	240	20	26	31	8	11	12
	260	8½	15	21	19	20	22
B.P. (*306)	300	18	25	34	8½	11	13
	330	5½	12	19	27	28	28
British Steel (*134)	130	8½	12	14	5	5	7
	140	4	6	9	11	12	12
Bass (*915)	900	57	92	107	23	30	40
	950	32	60	65	50	52	60
C & Wire (*465)	460	33	53	69	20	26	30
	500	15	33	46	45	50	52
Courtaulds (*292)	280	–	30	38	–	13	15
	297	12	21	–	19	21	–
	300	–	–	27	–	–	25
Com. Union (*447)	420	48	59	76	6	12	16
	460	23	34	50	22	29	30
	500	10	18	32	56	56	56
GKN (*390)	360	48	58	65	5	14	16
	390	30	37	50	14	23	27
	430	13	24	35	38	38	42
Grand Met. (*552)	500	77	90	–	5	10	–
	550	37	55	75	17	25	32
	600	14½	30	48	46	52	55
I.C.I. (*1060)	1000	105	120	–	12	24	–
	1050	70	89	124	27	38	45
	1100	42	62	97	52	63	67
Kingfisher (*270)	260	18	25	34	11	15	18
	280	10	15	24	23	25	27
	300	3	9	16	23	41	43
Ladbroke (*264)	260	18	27	36	10½	14	16
	280	7½	19	26	24	26	27
Land Secur (*465)	460	25	40	55	18	23	28
	500	9	23	36	47	50	50
M & S (*183)	180	11	19	22	7	9	10
	200	3	8½	12	20	28	22
	220	1	3	–	40	40	–
STC (*245)	240	25	38	45	11½	17	19
	260	15	24	34	22	28	30
Sainsbury (*253)	240	20	31	40	4½	6½	8
	260	9	17	24	14	16	17
Shell Trans. (*429)	420	33	45	60	11	16	17
	460	11	23	37	33	37	37
Storehouse (*98)	100	6½	11	13	8	9½	11
	110	3½	6½	9	15	17	18
Trafalgar (*293)	300	14	25	30	20	23	25
	330	6	14	18	45	45	48
Utd. Biscuits	300	24	36	44	7½	11	13
Unilever (*614)	600	44	66¼	82¼	14	16¼	19¼
	650	17	37	53½	40½	42¼	44½
Ultramar (*324)	300	38	48	60	6	9	13
	330	20	30	42	18	22	25

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*526)	500	38	63	75	6	15	25
	550	11	35	48	33	35	47
BAA (*376)	360	24	34	47	5	12	14
	390	24	34	47	5	12	14
BAT Inds (*693)	659	50	77	–	4	10	–
	709	12	42	65	21	30	35
BTR (*399)	390	20	37	45	7	12	19
	420	6	20	30	22	30	35
Brit. Telecom (*247)	240	13	20	26	3	8	10
	260	3	9	15	14	19	20
Cadbury Sch (*307)	300	16	30	39	6½	12	14
	330	4½	14	24	25	28	30
Guinness (*664)	650	28	57	77	11	20	27
	700	7	30	48	41	45	62
GEC (*197)	180	20	26	28	1½	4½	6
	200	6	12	16	6½	13	17
Hanson (*214)	200	17	23	29	¼	4	5½
	220	4	11	17½	8	13	13½
LASMO (*574)	550	35	63	82	8	18	22
	600	10	33	52	30	38	40
P. & O. (*569)	550	29¼	54¼	65¼	7¼	14¼	22¼
	600	5¼	25¼	37¼	35	40	46½
Pilkington (*196)	200	7	12	18	8	14	16
	220	2	5	10	24	28	30
Polly Peck (*396)	390	15	29	44	12	19¼	23½
	420	4	16	29½	35	39¼	42
Prudential (*191)	180	16	24	27	3	5	7
	200	4	12	15	10	14	16
Racal (*183)	180	11	18½	26	5	10	11½
	200	3	9½	17	18	21	22
R.T.Z. (*516)	500	32	52	70	6	14	17
	550	6	22	40	39	38	42
Scot. & New (*291)	280	17	30	36	3½	11	15
	300	7	19	26	15	21	26
Tesco (*197)	180	18½	24¼	28¼	1½	3¼	4½
	200	4	10½	16½	8½	10½	12¾
Thames Water (*129)	120	13	17	17	2½	7½	8
	130	6	9	11	5	13	14
Water Hldg Ppg (*£1373)	1350	70	–	–	30	–	–
	1400	35	80	100	60	150	170

Option		Calls May	Calls Jul		Puts May	Puts Jul	
Ferranti (*44)	40	5	7	–	1¾	2½	–
	50	1	–	–	7	–	–

Option		Calls Jun	Calls Aug	Calls Oct	Puts Jun	Puts Aug	Puts Oct
Reuters (*1040)	1000	30½	104	131	15¼	25	31¼
	1050	47½	73¼	100	34½	44½	51

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Abbey Nat. (*179)	160	23	30	–	1½	3	–
	200	3	7	11	23	23	25
Amstrad (*66)	60	10	14	16	2	4	5½
	70	5	8	11	7	9	10½
Barclays (*500)	460	50	–	–	5	–	–
	500	25	35	51	15	23	25
Blue Circle (*211)	200	12	23	27	6½	9	11
	220	4½	12	18	20	21	24
British Gas (*188)	180	15	18	24	2½	5½	7
	200	4½	7	12	11½	17	18
Dixons (*119)	110	16	20	24	4	8	9
	120	9	14	18	10	14	15
Glaxo (*745)	725	48	–	–	13	–	–
	750	34	64	75	24	32	40
Hawker Sidd. (*605)	600	33	55	70	23	40	55
	650	10	35	45	68	85	90
Hillsdown (*234)	220	17	27	33	6	9	10
	240	8	16	21	15	19	21
Lonrho (*248)	240	20	28	38	5	10	12
	260	7	15	27	17	21	22
Midland Bk (*279)	280	21	28	37	12	20	25
	300	10	18	28	27	31	33
R. Royce (*193)	180	21	27	31	3½	5½	7
	200	7	15½	19	11	13	14
Sears (*89)	80	10½	12	14	2	4	6
	90	4	6½	9	6	9	10
THF (*239)	240	8	18	23	11	15	18
	260	2½	10	13	28	30	30
Thorn EMI (*647)	600	67	72	92	6	17	22
	650	30	42	60	20	36	40
TSB (*124)	120	9	13	16	4	6	7
	130	5	17	11	8	9	12
Vaal Reefs (*584)	80	10	13	15	4	6	8
	90	5	8	10	8	12	14
Wellcome (*662)	650	45	75	99	23	35	42
	700	22	50	74	52	62	70

*EURO FT-SE INDEX (*2106)*

	2025	2075	2125	2175	2225	2275	2325	2375
CALLS								
Jun	138	107	73	48	30	17	12	8
Sep	192	–	125	–	80	–	45	–
Dec	238	–	177	–	122	–	80	–
Mar	273	–	215	–	163	–	120	–
PUTS								
Jun	34	48	64	90	119	156	198	242
Sep	47	–	80	–	125	–	188	–
Dec	68	–	95	–	130	–	183	–
Mar	70	–	95	–	130	–	178	–

FT-SE INDEX (*2106)

	2050	2100	2150	2200	2250	2300	2350	2400
CALLS								
Apr	–	15	1	½	½	½	½	½
May	95	60	34	19	10	4	2½	1½
Jun	114	82	57	38	24	15	9	5
Jul	137	105	77	55	38	28	19	12
Dec †	–	183	–	127	–	80	–	55
†	–	–	–	–	–	–	–	–
PUTS								
Apr	–	10	45	95	145	195	245	295
May	25	43	67	102	146	196	246	296
Jun	39	57	83	112	150	198	246	296
Jul	53	70	95	125	158	200	246	296
Dec †	–	100	–	140	–	206	–	298
†	–	–	–	–	–	–	–	–

April 27 Total Contracts 50,465
Calls 22,611 Puts 27,854
FT-SE Index Calls 9,287 Puts 12,853
Euro FT-SE Calls 1,430 Puts 1,731
*Underlying security price. † Long dated expiry mths

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Fri Apr 27 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu Apr 26 Index No.	Wed Apr 25 Index No.	Tue Apr 24 Index No.	Year ago (approx) Index No.	1990 High	1990 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (199)	819.02	-1.1	14.25	5.53	8.49	10.96	827.73	828.50	834.37	955.01	960.80 4/1	819.02 27/4	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (27)	999.14	-1.2	15.82	5.94	7.78	5.50	1011.04	1008.74	1017.99	1195.87	1188.21 3/1	999.14 27/4	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (36)	1304.85	-2.1	18.92	6.28	6.89	16.02	1332.55	1338.01	1344.65	1719.92	1621.44 4/1	1304.85 27/4	1951.50 16/7/87	71.48 2/12/74
4	Electricals (10)	2341.99	-0.9	12.14	5.72	10.13	39.14	2364.06	2369.44	2362.75	2815.28	2751.15 4/1	2317.73 6/3	3040.80 8/9/89	84.71 25/6/62
5	Electronics (29)	1728.92	-0.6	10.47	4.29	12.38	17.31	1738.58	1742.97	1756.73	2177.97	2044.72 9/1	1728.92 27/4	2308.22 19/5/89	1229.01 8/10/85
6	Engineering-Aerospace (8)	442.33	-1.3	14.51	5.26	8.21	7.69	448.31	446.55	441.38	0.00	495.50 4/1	409.55 6/3	495.50 4/1/90	409.55 6/3/90
7	Engineering-General (43)	451.99	-0.6	12.57	5.54	9.59	7.42	454.62	455.49	455.55	0.00	502.82 4/1	451.99 27/4	502.82 4/1/90	451.99 27/4/90
8	Metals and Metal Forming (6)	457.99	-1.6	25.69	6.80	4.39	0.53	465.38	463.83	470.81	540.59	515.57 4/1	457.99 27/4	596.67 9/10/87	49.65 6/1/75
9	Motors (16)	337.85	-0.4	16.42	6.67	7.11	8.43	339.19	338.64	340.66	315.55	403.90 4/1	337.85 27/4	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (24)	1490.93	-1.1	12.14	5.34	9.56	28.02	1508.13	1513.01	1534.48	1592.67	1774.64 3/1	1490.93 27/4	1881.53 18/8/89	277.55 15/1/81
21	CONSUMER GROUP (178)	1153.83	-1.0	10.27	4.25	12.13	9.21	1166.03	1169.79	1177.01	1204.95	1357.03 3/1	1153.83 27/4	1417.92 4/9/89	61.41 13/12/74
22	Brewers and Distillers (21)	1369.52	-1.0	10.59	4.03	11.66	12.53	1383.63	1380.48	1388.75	1327.58	1573.41 9/1	1369.31 6/3	1583.71 5/9/89	69.47 13/12/74
25	Food Manufacturing (20)	1009.95	-0.5	11.00	4.65	11.29	14.80	1014.65	1018.27	1030.70	1034.02	1184.41 3/1	1009.95 27/4	1220.42 4/9/89	59.67 11/12/74
26	Food Retailing (16)	2196.38	+0.1	9.87	3.57	13.09	7.94	2194.41	2202.62	2204.50	2180.93	2346.16 4/1	2194.41 26/4	2722.30 5/9/89	54.25 11/12/74
27	Health and Household (13)	2391.83	-1.2	7.14	2.90	16.61	17.07	2420.98	2432.22	2454.58	2283.39	2795.49 4/1	2365.35 6/3	2795.49 4/1/90	175.38 28/5/80
29	Leisure (32)	1269.33	-1.3	11.17	4.68	11.04	9.24	1286.34	1290.67	1295.78	1607.09	1717.22 9/1	1269.33 27/4	1845.77 8/9/89	54.83 9/1/75
31	Packaging & Paper (13)	538.82	-1.6	13.49	6.03	9.29	10.38	547.75	548.59	552.87	577.76	599.22 11/1	538.82 27/4	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (16)	3080.13	-1.4	10.92	5.83	11.56	37.24	3124.13	3119.66	3136.34	3588.99	3853.61 4/1	3080.13 27/4	5070.66 5/10/87	55.08 6/1/75
34	Stores (35)	690.43	-1.9	12.79	5.32	10.11	1.89	703.49	709.99	711.18	784.46	844.66 3/1	690.43 27/4	1160.58 29/7/87	52.63 6/1/75
35	Textiles (12)	454.47	-1.5	14.74	7.84	8.54	0.59	461.30	462.69	463.89	541.48	554.37 4/1	454.47 27/4	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (105)	1060.23	-1.3	11.76	5.38	10.16	8.58	1074.42	1083.36	1088.06	1080.76	1233.52 3/1	1060.23 27/4	1233.52 3/1/90	58.63 6/1/75
41	Agencies (17)	1472.61	-0.5	6.49	2.67	18.70	12.33	1480.21	1504.80	1537.72	1288.92	1628.96 4/4	1472.61 27/4	1795.57 17/7/87	870.35 4/12/87
42	Chemicals (23)	1138.16	-1.5	12.53	5.79	9.33	23.59	1155.60	1160.40	1166.02	1236.89	1295.87 5/1	1138.16 27/4	1545.46 5/10/87	71.20 1/12/74
43	Conglomerates (14)	1495.44	-1.9	10.80	6.54	10.97	8.69	1523.94	1534.67	1532.22	1580.27	1710.25 3/1	1495.44 27/4	1819.46 11/8/89	975.19 10/11/87
44	Transport (13)	2103.71	-1.2	11.25	4.68	11.29	25.71	2129.03	2143.64	2147.44	2416.81	2458.00 4/1	2103.71 27/4	2554.69 12/7/89	90.80 29/6/62
46	Telephone Networks (2)	1021.64	-1.2	12.43	5.02	10.46	0.00	1033.71	1047.89	1058.86	1108.97	1290.72 3/1	1021.64 27/4	1290.72 3/1/90	517.92 30/11/84
47	Water (10)	1832.47	-1.3	19.02	7.39	5.82	0.00	1855.71	1871.37	1870.45	0.00	2079.08 16/2	1832.47 27/4	2079.08 16/2/90	1832.47 27/4/90
48	Miscellaneous (26)	1697.03	-1.2	11.12	4.99	10.07	18.48	1717.16	1723.90	1720.74	1469.73	1981.35 3/1	1697.03 27/4	2087.06 11/7/89	60.39 6/7/75
49	INDUSTRIAL GROUP (482)	1054.64	-1.1	11.73	4.92	10.39	9.88	1066.73	1071.27	1077.51	1126.30	1234.94 3/1	1054.64 27/4	1273.71 5/9/89	59.01 13/12/74
51	Oil & Gas (18)	2126.11	-2.0	12.75	5.67	10.36	35.53	2168.43	2182.00	2213.99	2032.92	2475.71 2/1	2126.11 27/4	2475.71 2/1/90	87.23 29/5/62
59	500 SHARE INDEX (500)	1144.17	-1.2	11.88	5.03	10.39	11.91	1158.65	1163.90	1172.14	1203.18	1338.65 3/1	1144.17 27/4	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (110)	739.09	-1.6	–	6.17	–	17.48	751.20	754.09	761.06	739.73	869.67 3/1	739.09 27/4	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	766.65	-0.6	21.50	6.99	6.09	24.14	771.41	771.97	788.13	734.52	918.30 2/2	766.65 27/4	918.30 2/2/90	62.44 12/12/74
65	Insurance (Life) (7)	1240.41	-2.6	–	5.92	–	34.46	1273.53	1281.59	1283.56	1053.80	1484.67 3/1	1240.41 27/4	1484.67 3/1/90	44.88 2/1/75
66	Insurance (Composite) (7)	629.35	-1.8	–	6.57	–	19.43	640.93	644.64	643.91	586.88	768.11 0/0	629.35 27/4	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (7)	1040.86	-0.4	8.24	6.25	16.00	26.30	1044.76	1042.71	1045.17	950.94	1194.74 4/1	1016.19 22/3	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (7)	407.80	-1.7	–	4.67	–	4.85	414.92	426.60	431.30	331.37	502.02 8/2	407.80 27/4	547.59 12/10/87	31.21 7/1/75
69	Property (48)	1070.02	-2.7	8.55	4.20	14.86	5.62	1099.93	1100.64	1102.30	1313.20	1242.53 4/1	1063.94 21/3	1398.87 5/9/89	56.01 20/4/65
70	Other Financial (25)	291.61	-2.3	15.30	7.64	8.63	4.09	298.48	301.81	304.78	371.49	350.59 4/1	291.61 27/4	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (67)	1125.83	-1.1	–	3.39	–	8.95	1138.84	1142.59	1148.31	1121.37	1323.81 4/1	1125.83 27/4	1323.81 4/1/90	71.12 13/12/74
91	Overseas Traders (5)	1272.80	-0.9	10.37	7.17	11.64	42.87	1284.00	1289.76	1300.63	1402.37	1614.04 3/1	1272.80 27/4	1614.04 3/1/90	97.37 6/1/75
99	ALL-SHARE INDEX (682)	1047.08	-1.3	–	5.16	–	13.04	1060.85	1065.51	1073.33	1090.04	1226.83 3/1	1047.08 27/4	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 26	Apr 25	Apr 24	Apr 23	Apr 20	Year ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2106.6	-27.0	2140.2	2105.0	2133.6	2143.1	2159.9	2159.2	2187.1	2118.0	2463.7 3/1	1782.8 3/1	2463.7 3/1/90	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Apr 27	Day's change %	Thu Apr 26	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	112.20	-0.14	112.36	–	4.19
2	5-15 years	112.80	-0.42	113.28	–	4.96
3	Over 15 years	115.42	-0.47	115.96	–	4.16
4	Irredeemables	129.84	-0.39	130.36	–	6.12
5	All stocks	114.54	-0.33	114.92	–	4.65
	Index-Linked					
6	Up to 5 years	141.05	-0.11	141.21	–	1.49
7	Over 5 years	130.83	-0.33	131.26	–	1.38
8	All stocks	131.49	-0.31	131.90	–	1.38
9	Debentures & Loans	93.20	-0.26	93.45	–	3.12
10	Preference	74.42	-0.14	74.53	–	2.07

	AVERAGE GROSS REDEMPTION YIELDS		Fri Apr 27	Thu Apr 26	Year ago (approx.)	1990 High	1990 Low
	British Government						
1	Low	5 years	12.15	12.09	9.77	12.15 27/4	10.16 2/1
2	Coupons	15 years	11.94	11.86	9.19	11.94 27/4	9.58 2/1
3		25 years	11.83	11.75	9.01	11.83 27/4	9.52 2/1
4	Medium	5 years	13.51	13.41	10.64	13.51 27/4	11.03 2/1
5	Coupons	15 years	12.45	12.38	9.62	12.45 27/4	9.97 2/1
6		25 years	11.98	11.92	9.19	11.98 27/4	9.65 2/1
7	High	5 years	13.62	13.52	10.76	13.62 27/4	11.17 2/1
8	Coupons	15 years	12.76	12.69	9.85	12.76 27/4	10.17 2/1
9		25 years	12.27	12.22	9.38	12.27 27/4	9.78 2/1
10	Irredeemables†		11.74	11.69	9.02	11.74 27/4	9.66 4/1
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	4.94	4.88	3.62	4.94 27/4	3.83 5/1
12	Inflation rate 5%	Over 5 yrs.	4.30	4.28	3.62	4.30 27/4	3.60 4/1
13	Inflation rate 10%	Up to 5 yrs.	3.91	3.85	2.68	3.91 27/4	2.95 2/1
14	Inflation rate 10%	Over 5 yrs.	4.12	4.09	3.45	4.12 27/4	3.43 4/1
15	Debs &	5 years	16.49	16.51	12.01	16.51 26/4	13.01 15/1
16	Loans	15 years	14.45	14.48	11.24	14.48 26/4	12.27 12/1
17		25 years	13.76	13.73	11.24	13.76 27/4	11.99 2/1
18	Preference†		12.43	12.41	10.22	12.50 17/4	10.87 2/1

‡Opening index 2137.3; 9 am 2139.4; 10 am 2128.9; 11 am 2118.4; Noon 2108.1; 1 pm 2109.7; 2 pm 2114.8; 3 pm 2108.1; 4 pm 2106.4; 4.10 pm 2106.3; (a) 9.06am (b) 12.13pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	Other Industrial Materials	31/12/80	287.41	Food Retailing	29/12/67	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	261.77	Insurance Brokers	29/12/67	96.67
Water	29/12/89	1968.45	Other Groups	31/12/74	63.75	All Other	10/4/62	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Telephone Networks	30/11/84	517.92	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/67	114.13	Preference	31/12/77	76.72
						FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.
CONSTITUENT CHANGES: Rush & Tompkins (2) has been deleted and replaced by Buckingham International (29).

MMC opposes merger plan by water companies

By Richard Evans

THE PROPOSED merger of three statutory water companies has been found to be against the public interest by the Monopolies and Mergers Commission, but the companies are being given a second chance to prove that cost savings would benefit customers.

The judgment by the commission on the planned merger of the Lee Valley, Colne Valley and Rickmansworth companies, inspired by the French group Compagnie Générale des Eaux, is seen as an important test case following the privatisation of the 10 former regional water authorities in England and Wales four months ago.

It goes to the heart of the Government's dilemma on merger policy – the issue of whether the potential benefits to the consumer should outweigh the national interest, or vice versa.

The three statutory companies, which supply about 2.3m customers in north London and the Home Counties, announced last summer that they intended to become Three Valleys Water Services, controlled by General Utilities, a subsidiary of Générale des Eaux.

However, under the terms of the Water Act such mergers must be examined by the MMC on the grounds that a decline in the number of suppliers and the consequent loss of competition might make the industry harder to regulate.

The MMC had been widely expected to allow the merger, as there are 29 statutory water companies as well as the 10 privatised companies which treat sewage as well as supplying clean water.

In the event, the MMC felt that the merger might operate against the public interest but "considered that the detrimental effects of the merger might be outweighed by the effects of undertakings, ensuring that cost savings from the merger were passed on to users as lower water charges."

The MMC estimated that benefits totalling £60m could be saved through the merger.

● THE announcement marked a further blow to stock market speculation about French stake building in the privatised water companies, but the setback had limited effect on their shares yesterday, writes Clare Pearson.

Among the hardest hit yesterday were shares in South West and Yorkshire, prices of which both eased more than 4 per cent. Some had hoped Compagnie Générale des Eaux might acquire stakes once the Three Valleys merger had gone through.

The package comprising shares in all 10 companies fell from 1403p to 1373p.

Lex, Page 22

John McCann (left), Finbar Cullen and Martina Shanahan

Winchester Three convictions quashed

By Robert Rice, Legal Correspondent, and Kieran Cooke

THE convictions of three Irish people sentenced in 1988 to 25 years in prison for conspiracy to murder Mr Tom King, the former Northern Ireland Secretary, were quashed yesterday by the Court of Appeal.

The so-called Winchester Three, Ms Martina Shanahan, 24, Mr John McCann, 26, and Mr Finbar Cullen, 29, were immediately re-arrested by anti-terrorist squad officers under the Prevention of Terrorism Act and taken to Paddington Green police station in London pending the signing of an exclusion order against them by Mr David Waddington, the Home Secretary.

Their convictions were overturned as unsafe and unsatisfactory on the grounds of possible prejudice to the fairness of their trial by Mr King's widely reported comments at the time about terrorist suspects abusing the right to silence.

Lord Justice Beldam said the direction given to the jury by Mr Justice Swinton-Thomas, the trial judge, on the suspect's right to silence had not been sufficient to dispel the prejudice caused by broadcasts and press reports of Mr King's views.

"The only way in which justice could be done and be seen to be done was by discharging the jury and ordering a retrial. In our judgment, that is what the learned judge should have done," he said.

Mr King had been commenting on the announcement by the Home Secretary in the middle of the trial at Winchester Crown Court of the Government's intention to abolish the suspect's right to silence in terrorist cases in Northern Ireland.

Lord Justice Beldam said the appellants had not overstated their case when they said the overall impression of Mr King's comments had been that in terrorist cases a failure to answer questions or give evidence was tantamount to guilt.

Two of the accused had declined to answer questions after their arrest and all three had elected not to give evidence at their trial.

There was some surprise in the Republic of Ireland at the news. Mr Dick Spring, leader of the republic's Labour Party, said the release of the three would restore the confidence of Irish people in the British system of justice.

"Now that the British authorities have admitted so serious an error surely there is no argument left for keeping the Birmingham Six in prison," he said.

Tory fortunes sink low in the Highlands

James Buxton on the campaign in a regional council with a 'self-cancelling opposition'

LOCAL ELECTIONS

THERE are few starker signs of the decline of the Conservative party in Scotland than its standing in the north-eastern Grampian region.

In the 1986 local elections it lost control of the regional council, which it had controlled since its formation in 1974. In the 1987 General Election it lost three parliamentary seats, leaving only one of the region's six constituencies in Tory hands.

Yet the region, consisting of Aberdeen and its pleasant hinterland of farming country, whisky distilleries and fishing ports, stands along with lush counties like Surrey at the top of the league for disposable income per home in the UK.

Aberdeen is flourishing once again with the upsurge in offshore oil activity and the region's unemployment rate at 4.5 per cent is the lowest in mainland Scotland.

The Tories like to see Grampian as one of the keys to winning the next General Election: it is one of the areas where they could expect to make gains offsetting the inevitable losses elsewhere in Britain. To help the process along, the Scottish Tories are taking their annual conference to Aberdeen next month.

However, if the Tories are staging a vigorous counter-attack here in the regional elections, it is not particularly obvious. Mr John Porter, the retired bank official who leads the Conservative group on the council, does not exude confidence. The most he will say is: "We have bottomed out: there's a puff of wind in our sails."

A politician from Italy – the land of rickety coalition governments – would instantly feel at home in Grampian. For the past four years the administration has been run by a minority – a coalition of Liberal Democrats, one Social Democrat and, until most of its members pulled out last year, the Scottish National Party.

The convener is Dr Geoffrey Hadley, a scientist who stands as an independent. He explains: "The Liberal Democrats are held in power by the self-cancelling opposition of Labour and the Conservatives." A coalition has to be stitched together for every issue, involving either the left or right wings of the council.

Dr Hadley, who displays little love for any party, says: "You don't need party politics in local government anyway."

The decline of the Conservatives – who won half the seats in 1982 but came just behind Labour in terms of seats in 1986 – has led to a fragmentation of Grampian voting. In the far north of the region, in Moray, in Banff and Buchan, the SNP is strong, showing its left-wing face in the working class fishing towns of Peterhead and Fraserburgh, but a centrist line in the hinterland.

The port of Aberdeen: flourishing again with a high level of disposable income

The Liberal Democrats' base is in Gordon district, the heart of the region. Labour's strength is in Aberdeen and the Tories' support is scattered over the region, particularly in Aberdeen, and in Kincardine and Deeside in the south.

The Liberals, Labour and SNP accept that they have to expand out of their heartlands if they are to gain seats and avoid another coalition.

Yet the parties' manifestoes are remarkably similar, with the Conservatives uncharacteristically leading with a promise to increase nursery education – the issue which Mrs Rhona Kemp, for the Liberal Democrats, says is the subject raised most often on doorsteps.

National issues dominate the public debate. The Tories are fighting against their low standing in the latest Scottish opinion polls. The latest gave them only 15 per cent of support, following the debacle over poll tax concessions.

Levels of poll tax are not particularly onerous in Grampian: the council actually lowered its charge by £12 for the new financial year, thanks in part to the abolition of the safety net system by which Grampian had to subsidise poorer parts of Scotland.

However, the Conservatives' persistent campaign in Scotland against the Labour plan for a roof tax – a local tax based on property values – is having an effect. This point is admitted by Mr Bob Middleton, who leads the Labour group.

Labour has committed itself more firmly to the roof tax in Scotland than it has in England, but it has failed to spell out, except in very general terms, how much people might pay under it.

"People on the doorsteps keep asking me how much it will be," says Mr Middleton. "All I can say is that it will be fairer than the poll tax and that they will benefit. This is a difficulty for us and it's preventing us explaining our other policies."

Mr John Prescott, shadow Transport Secretary, yesterday called on the Government to reverse its bus deregulation policy in order to halt declining bus use in Britain's towns and cities, writes Richard Tomkins.

He said deregulation had been "a disaster" for cities and passengers, causing higher fares, falling passenger numbers and increased traffic congestion.

The bus industry outside London was deregulated in October 1986 under legislation that allowed anyone to operate a service after giving six weeks' notice to the Traffic Commissioners.

Mr Prescott said the effect had been to drive people off buses into cars and trains.

NEWS IN BRIEF

Land Rover recruits to lift output

LAND ROVER is to recruit another 200 people to expand production of its Discovery four-wheel-drive model for the second time this year, writes John Griffiths.

The extra jobs, at the company's Solihull plant near Birmingham, will bring total recruitment related to Discovery to 400 this year, and the total Solihull workforce to 9,000.

Discovery output is running at just over 400 a week, having been raised from 250 at the beginning of this year, and the extra workers will allow production to be raised to 600 a week in the summer.

Land Rover, part of the British Aerospace-owned Rover Group, said yesterday that Discovery had become the best-selling four-wheel-drive vehicle in its class in the UK. First-quarter UK sales were 1,533, nearly 500 more than its nearest competitor. Of this, 596 were sold in March. The vehicle's only current export market is Italy. However, part of the production expansion is related to plans to launch it in several other Continental markets during the next few months.

Land Rover executives say that fears that the Discovery might makes sales progress at the expense of the company's more luxurious, and expensive, Range Rover model, are proving unfounded. The company built 28,513 Range Rovers last year, compared with 24,021 in 1988.

● Rover Group yesterday followed car market leader Ford in announcing price rises for its cars from May 1. Rover said its average increase will be 3.8 per cent, compared with a 3.9 per cent average for Ford.

Terrorism warning

A BUILDING contractor was murdered and a large bomb factory uncovered in Northern Ireland yesterday within hours of a warning from the Royal Ulster Constabulary of an upsurge in the IRA's terrorist campaign.

The man died when an IRA booby-trap car bomb blasted his BMW off the road at Kilkeel, County Down. Meanwhile, 14 miles away in Newry, security forces uncovered half a ton of explosives in a house.

On Thursday a private housing estate in Portadown, County Armagh, was devastated when a lorry packed with bombs exploded, prompting police to issue the warning, which they stressed was based on high-level intelligence information.

An RUC statement said the IRA was intent on stepping up its bombing and shooting campaign and appealed for public vigilance. Senior police officers said it was not a routine warning, stressing that recent arms and explosives finds underlined the seriousness of the terrorist threat.

Fujitsu laboratory

FUJITSU, the Japanese electronics group, plans to set up a laboratory for designing semiconductor chips in southern England this summer.

The company said yesterday that the facility, which will eventually employ 60 engineers, will complement the £400m chip manufacturing plant it is building in County Durham. It will concentrate on designing chips for the telecommunications industry.

Such moves follow the setting-up of assembly plants and then full manufacturing operations, and constitute the next phase in the globalisation of Japanese industry.

Fujitsu said it was still looking at a number of locations along the M4 corridor for the new laboratory.

Objection to takeover of society

By David Barchard

THE DISPUTE surrounding the first contested takeover in the building society industry took a new turn yesterday.

It came when rebel members of Frome Selwood Permanent Building Society lodged a resolution objecting formally to plans to merge the society with Stroud & Swindon Building Society at a special general meeting of the society next month.

However the resolution appeared to have been thrown out immediately by the Frome Selwood board.

Mr Trevor Morris, a member of Frome Selwood, which has assets of £27m, said nearly 60 signatures had been collected, objecting to the merger.

"We feel very sorry that the board has not seen fit to put both offers to members – the Stroud & Swindon offer and the Cheltenham & Gloucester. We feel that the Cheltenham & Gloucester offer would have been nearly twice as good for members."

Last week Cheltenham & Gloucester, the seventh largest UK building society, disclosed the terms of its offer which would have given savers a bonus of 3 per cent compared with 2 per cent from Stroud & Swindon.

Under existing legislation the Frome Selwood board can put only one bid to members at the special general meeting, due on May 17.

Mr Richard Payne, chief executive of Stroud & Swindon, said yesterday that the resolution had been thrown out by Frome Selwood's board as legally invalid.

Watchdog rules against poll tax records

By John Authers

OFFICIALS responsible for collecting data of the community charge or poll tax for 22 councils, covering more than 2.5m people, were warned yesterday that they were in breach of the Data Protection Act. The councils faced the prospect of altering their records after nearly a month under the new system of financing local government.

The Data Protection Registrar moved to stop 22 poll tax registration officers from keeping personal details which he ruled were excessive and irrelevant.

The officers – who were among 216 warned of possible illegalities in December – have 28 days to appeal against the ruling. Otherwise they must delete the irrelevant details from their computer records or face prosecution.

The move revealed deep-seated confusion over council records, and differences in the legislation in Scotland and the rest of Britain.

The action taken by the registrar concerns questions about dates of birth and types of dwelling, neither of which is relevant to the poll tax.

Councils may note dates of birth for those under 18 or approaching retirement age, and may take note of a type of dwelling only in a few specified cases.

Ms Madeleine Colvin, legal officer for the National Council for Civil Liberties (NCCL), welcomed the move. She said the NCCL had obtained a legal opinion stating that under common law councils cannot keep manual records of the information or ask questions about it. The registrar's powers formally apply only to computer records.

Most councils said they would appeal. Officials said they intended to keep their paper records. None reported objections to the questions.

Mr Vernon Harris, finance director of Windsor and Maidenhead Borough Council, said: "We are not going to appeal against the decision . . . We applied a commonsense approach and if it was not for these civil liberties groups who have caused all this uproar there would have been no trouble at all."

Mr Mike Johnson, an official of Rhondda Borough Council, said date of birth was necessary to identify individuals, given that some surnames were very common.

British Gas signals imports shift

By Steven Butler

BRITISH GAS yesterday signalled the first fundamental change in contractual conditions for its North Sea gas purchases in more than 20 years, and said it was looking for fresh supplies of imported gas.

The changes will promote competition in a more open gas market, and shift greater commercial risk to North Sea producers. The move is likely to provoke a political row and revive debate over whether UK producers should be guaranteed priority in supplying the domestic market.

British Gas spent about £3bn on gas purchases in the year to March 1989. Any fresh gas imports would need approval from the Department of Energy.

Gas imports would encourage development of a competitive gas market, which the Government is backing. However, they could also slow the development of gas production in UK waters and make marginal projects uneconomic.

UK producers have fiercely opposed new import deals and have argued that the deals could permanently jeopardise exploitation of some UK gas reserves.

Mr James Allcock, British Gas's director of gas supply, said at the Gas Power '90 conference in London yesterday that British Gas was revising contractual conditions for its gas purchases in order to cope with its loss of monopoly over the transport and sales of gas.

Until last June British Gas bought all gas committed for sale in the UK – that share has fallen to 60 per cent. Mr Allcock said: "We have now no duty as such towards the development of the UK continental shelf and will consider offers of supplies from the UKCS or from imported sources on a commercial basis."

To date British Gas has signed only field depletion contracts with UK producers, agreeing to purchase the entire output of a UK field or, in two recent cases, 90 per cent.

Mr Allcock said British Gas would now offer several types of contract, including:

● A depletion contract for more than 80 per cent of a field's contents.

● A supply contract for a stated quantity of gas over an agreed period, possibly coming from more than one source.

● Partial purchase of a field's contents.

● Contracts for peak winter delivery, including contracts which paid others for storage.

● Standardised contracts for spot sales.

The new contracts offer greater choice to producers, but reduce the security provided by the old types of contracts.

"What they are saying is that if there is greater competition in the market place, some of the risk has to shift upstream," said Mr John Wood-Collins, a consultant with Arthur D. Little, the US management consultancy group. Mr Wood-Collins said the changes would hit independent producers hardest.

SIB reports on complaints

By Richard Waters

THE REGULATORY bodies set up under the Financial Services Act reported yesterday that they had investigated a wide range of complaints since the act came into force two years ago.

The Securities and Investments Board (SIB) has investigated 330 complaints of people conducting investment business without authorisation. It has also intervened to restrict the activities of investment firms or prevent them disposing of assets on 13 occasions, and has forced the winding up of 11 firms.

The Securities Association (TSA) has issued 146 warnings over rule breaches. It has also suspended seven firms and three individuals.

The Investment Management Regulatory Organisation (Imro) has received compaints from investors against 208 of its 1,179 member firms. Of these, 53 have been sent to the investment referee for his consideration.

THE GUINNESS TRIAL

Saunders in 'clear conflict' over transactions

MR HOWARD Hughes, a senior partner of Price Waterhouse, the accountants, spoke yesterday of "a clear conflict" between things said by Mr Ernest Saunders about transactions now alleged to have been part of an unlawful Guinness share support operation.

On November 25 1986, Mr Hughes said, Mr Saunders had told him he was aware of the transactions and would provide explanations of them.

On January 7 1987, after the transactions had been referred to in a letter written by Mr Olivier Roux, then Guinness's director of finance, Mr Saunders had denied all knowledge of them.

"I did not understand – and do not understand – how we could have received satisfactory explanations if he had no knowledge of the transactions," Mr Hughes said.

Court report by Raymond Hughes

He was giving evidence at the trial of Mr Saunders, former Guinness chairman and chief executive, Mr Gerald Ronson, Heron group chairman, Mr Anthony Parnes, a stockbroker, and Sir Jack Lyons, the millionaire financier, who deny charges arising from an allegedly unlawful share support operation mounted by Guinness during its 1986 takeover bid for Distillers.

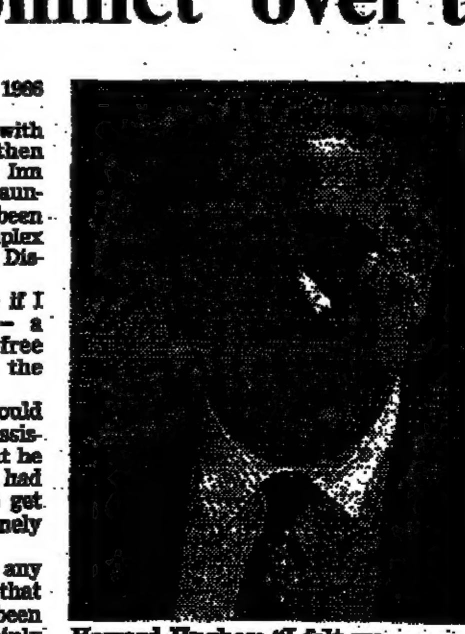
Mr Hughes said that at dinner with Mr Saunders and Lord Iveagh, then Guinness's chairman, at London's Inn on the Park on December 22, Mr Saunders had professed not to have been involved in some of the more complex financial transactions during the Distillers bid.

"As an illustration he asked me if I understood the Ansbacher deal" – a reference to a £7.6m interest-free deposit made by Guinness with the Henry Ansbacher merchant bank.

"He then commented that he could not guarantee that none of his assistants had not been over-zealous, but he felt sure if that had been the case it had been motivated only by a wish to get things done in the heat of an extremely unpleasant takeover battle."

Mr Saunders' view had been that any breaches of the law or regulations that might have occurred would have been accidental and technical and certainly not intended to breach the City code.

On January 6 1987, Mr Hughes had been asked by Sir David Napley, Guinness's solicitor, not to attend a meeting that day of Guinness directors. That, Mr Hughes said, had been "the firebell: the final thing that made me believe that something serious was going on," and he decided to make a direct approach to Guinness's new non-executive directors, from whom "I felt we were being shielded."



Howard Hughes: "I felt we were being shielded"

Mr Hughes recalled a breakfast meeting with a number of executive directors and Guinness family non-executives at the Inn on the Park on January 7. It had, he said, been "an extremely unstructured and emotional meeting." Sir David Napley had expressed himself horrified at the behaviour of Sir Norman Macfarlane – regarded as the leader of the new non-executive directors – who had said the new non-executives had no confidence in Mr Saunders and if he were not suspended they would "go public" with their views.

Sir David Napley had also said it would be straining credibility to expect people to believe that Mr Roux could have effected certain transactions on his own, without anyone else being aware of what was happening. Mr Saunders had been quite categorical that he had had no part in those transactions.

Mr Hughes said someone at the meeting had said Sir Norman Macfarlane was "quite hysterical" about events; the comment had also been made that Sir Norman was "in a state of funk."

Mr Hughes had gone straight from that meeting to one with the new non-executives, at which a clearer picture had begun to emerge. It had seemed likely there had been transactions which might have been improper or illegal, or had breached the City code.

By the time he left the latter meeting, Mr Hughes said, he was more sympathetic to the views of the new non-executives.

The trial will continue on Monday.

Antony Thorncroft on money problems at ENO and Covent Garden

The Threepenny Opera

Mr Jeremy Isaacs, general manager of the Royal Opera House, Covent Garden, and Mr Peter Jonas, who runs English National Opera from a few hundred yards away at the Coliseum, seem to be suffering from rushes of blood to the head. Their recent behaviour can be likened to two Red Devil pilots challenging each other to ever more reckless displays of bravado. The partisan opera buffs watch in wonder, waiting for the crash.

Both companies share the same problem – a financial deficit. It is a common enough complaint in the arts world. The usual solution is to economise or temporarily to shut up shop. The Royal Shakespeare Company showed the way recently by announcing a four month closure of its Barbican theatre next winter.

But at Covent Garden last week, Mr Isaacs responded to a £3.3m deficit on the 1989-90 season by unveiling 10 new opera productions for the season opening in August. He boldly admitted that while the House hummed with activity, its debts were projected to rise to more than £5m, around 20 per cent of turnover, by early in 1991.

This week Mr Jonas revealed what would appear to be an even riskier approach. For 1990-91, the Coliseum will only present operas composed in the 20th century (apart from three Mozart revivals). He is hoping to cut back on a current £500,000 budget shortfall by offering such unlikely crowd pullers as "Fennimore and Gerda" by Delius in a double bill with "Gianni Schicchi". He is also presenting two new works, "Timon of Athens" by Michael Oliver and "Greek" by Mark-Anthony Turnage, although new operas are invariably disasters at the box office. Both general directors are confident that there is method in their madness.

In his 18 months at Covent Garden, Mr Isaacs has come to realise that the task he faces is so gargantuan that it is best to carry on regardless – to keep on with his strategy of livening up the Opera House with new productions and to trust that boldness and optimism will shame the Government into increasing its subsidy.

Mr Isaacs has a talisman, the word "Priestley". In 1984 the Government appointed a top accountant, Mr Clive Priestley, to investigate the workings of both the Royal Opera House and the Royal Shakespeare Company. It expected him to come up with tales of waste and extravagance. Instead, Mr Priestley recommended a few reforms – and a substantial and consistent increase in subsidy. The Government raised aid for one year and then forgot about the Priestley report.

Mr Isaacs is fighting for the money he was promised under the Priestley recommendations.

He has an influential ally in his chairman of the board, Lord Sainsbury, who met the Prime Minister for lunch at the Arts Council last month and pleaded the cause. Mrs Thatcher was circumspect and although there have been no promises Mr Isaacs contemplates a mounting deficit with hopes for an extra injection of cash in the autumn on top of the £14.9m guaranteed by the Arts Council for 1990-91.

He believes that the Opera House has done its bit. It has reduced its dependence on subsidy from more than 50 per cent of income to nearer 40 per cent in just five years. He compares its good housekeeping to the cosetting of rival opera houses on the Continent like La Scala in Milan, where grants account for 74 per cent of revenue, and Paris Opera, where subsidy reaches 82 per cent.

Covent Garden raised its opera audience by 3 per cent last season to 92 per cent of capacity. It has saved £1.5m from its budget through such expedients as postponing the refurbishment of sets and costumes of ballets like "Manon" and "Romeo and Juliet". It has cut out a national tour by its ballet company, a £250,000 saving. It is even considering selling off its heritage – a recently discovered autograph manuscript by Donizetti of his rare opera "Elizabeth, Queen of Siberia" which is open to offers of more than £100,000.

Jeremy Isaacs (left) and Placido Domingo: presenting a bold face

"Our total level of resource is not adequate," says Mr Isaacs. "We did not want to have a deficit – we budgetted to break even. We have put forward a programme of opera and ballet in which we have confidence and in which we hope the public will also have confidence. Our expenses are our fixed costs. The cost of new productions is just 5 per cent of our budget."

The main cause of last season's shortfall was the drying up of corporate sponsorship: companies, worried about the state of the economy, came up with £2m less in aid than was anticipated. There is little likelihood of any substantial increase from this sector in the near future: hence the growing deficit. Yesterday, Mr Isaacs was warning his staff not to expect generous salary increases this year. In public he is toning down the rhetoric. A week ago Armageddon was on the horizon; now the talk is of buckling down and seeing the thing through.

The switch from bold defiance to circumspect stewardship reflects the volatile nature of Mr Isaacs's personality and an awareness that more can be extracted from the Government by reason than by gestures.

A similar mood of precise calculation pervades the Coliseum. Mr Jonas does not reckon he has any great financial problems, at least nothing comparable to the situation at Covent Garden.

He takes the longer view, wrapping up last season's deficit inside the first five years of his stewardship, which shows a small profit on a collective turnover of £80m. The projected shortfall for 1990-91 of £145,000 hardly seems set to topple a company with a turnover of over £16m.

Each of the nine new ENO productions has been carefully budgetted, and by presenting more productions but for shorter runs Mr Jonas believes he can actually increase audiences.

"Greek", for example, appears only three times on the schedule and should manage to fill over two thirds of the house on each occasion. Any wasted seats here are more than made up by the 22 performances of "The Magic Flute", which should play to well over 90 per cent of capacity each time.

Relations between the ENO and Covent Garden have improved since the arrival of Mr Isaacs. His willingness to take risks at the Opera House seems to have forced Mr Jonas into even more daring gambits, to confirm ENO's reputation as a pace setter.

To date Mr Jonas could afford to be more adventurous because the bank balance was better. But he could now be pushing his luck.

Last season attendances at the ENO fell by 3 per cent to 80 per cent of capacity, reflecting consumer resistence to a 23.4 per cent increase in seat prices. They are being raised by 18 per cent for 1990-91. Although ENO's new top price of £37.50 is still well below Covent Garden's levels of more than £100, the steady upward pressure on the pockets of opera-goers – just the kind of audience hit hardest by higher mortgage repayments – could play havoc with the ENO budgets.

But in one area Mr Isaacs has taken the biggest risk of all – the risk of alienating the media. He has always enjoyed a good relationship with the press but in order to save £40,000 the Royal Opera is limiting first night critics to just one ticket. The outcry from the Critics Circle was instant and heartfelt; there were threats of a boycott. Mr Jonas is not that daring at ENO, but he has some encouragement for Mr Isaacs. Recent ENO research suggests that word of mouth recommendation sells many more tickets than the carpings of the critics.

David Marsh on the stresses and strains over German unification

Angst über alles

During the past 40 years, German politics has rarely set the pulse racing. Now, amid the helter-skelter leading to German unification, the former placidity seems to belong to another age.

Initial reactions to Wednesday night's knife attack on Mr Oskar Lafontaine, the Social Democrat opposition candidate for West Germany's general elections in December, were a sign of the times.

Mr Lafontaine, who miraculously escaped death after his assailant's meat knife missed his main neck artery by a millimetre, appears in reality to have been the victim of a random attack by a woman with a history of mental disturbance. But there were initial fears that he had been singled out by an extremist vexed about his uncompromising stand against alleged right-wing nationalism. The fact that an extremist motive was instantly assumed to have a role in the assassination attempt was ominous.

There is other evidence of turbulence rising to the surface. Violence against foreigners has been on the rise in East Germany – where xenophobia, like much else, was suppressed for four decades – and there was a night of rioting a week ago in East and West Berlin.

Such incidents serve to focus attention on the confused state of the nation's psyche as the two Germanys merge at a pace almost everyone, from Chancellor Helmut Kohl downwards, admits is too fast for comfort.

One important point is that the drive to unity has not led to an upsurge of German nationalism. Instead, German *Angst* about the consequences of unification is ubiquitous. But it is precisely these fears that could herald considerable social tensions as the welding together of the two states gets under way.

In its initial political impact, the psychological upheaval of unification has strengthened Mr Kohl's Christian Democrat-led coalition. This has substantially dented the appeal of extremist right-wing parties, led by the Republicans, which looked a particular threat a year ago.

More potent may be the danger of a split between East and West Germans surrounding the unification largesse being offered by Bonn. The East German Government this week has somewhat grudgingly accepted Bonn's generous (and highly expensive) offer of a one-to-one conversion rate between the D-Mark and the East German Mark as simply an opening gambit in negotiations.

Opinion polls have indicated that 60 per cent of West Germans oppose a one-to-one rate as giving too much away to the East Germans. Hardly surprisingly, Mr Lothar de Maiziere, the East German Prime Minister, has started to complain about "lack of solidarity" from the West.

Realisation that there will be a bill to pay has been an important factor restraining West German ardour about unity during the past few months. Repeated warnings during the past fortnight from the *Bundesbank*, the central bank, about either higher interest rates or higher taxes (the latter option is still firmly ruled out by Mr Kohl) have fuelled the apprehension.

In a martyr's tone which is one of the few attributes the new democratic East Berlin Government has inherited from the former totalitarian one, Mr de Maiziere says the East Germans have borne the burden of division – and must now be helped.

Narrow escape: Oskar Lafontaine

Angst can produce some positive side-effects for Germany's European partners. A fall in support for European integration on the part of the West German public during the past two years set alarm bells ringing elsewhere in the EC. But according to Ms Elisabeth Noelle-Neumann, head of the Allensbach opinion poll institute, this phase is now over.

The doyenne of Germany's pollsters says her surveys show that West German support for European integration has been growing "since the events in the East. Reunification makes many Germans afraid. They see Europe as a source of support."

Ms Noelle-Neumann also has a comforting message for Mr Kohl. As a result of the Christian Democratic Union's greatly increased cohesion since last September, it is no longer being outflanked on the right. "The Republicans are finished as a factor in the next elections," she says firmly.

The absence of nationalistic euphoria, and West Germans' lack of enthusiasm about making financial sacrifices for the East, are two sides of the same coin, Ms Noelle-Neumann says. She believes that both observations reflect Germany's continuing "depression" about its past history.

Allensbach surveys show that far fewer West Germans say they are "very proud" of their country than people abroad – in Britain or the US, say. The "very proud" rating in West Germany (18 per cent of the population in January, against 21 to 22 per cent in previous years), has actually fallen since the breaching of the Wall. This is in striking contrast with foreigners' expectations of a marked increase in German patriotic feeling, Ms Noelle-Neumann says.

The number of people in East Germany saying they are "very proud" of their country is also, at 25 per cent, much lower than the international average, she observes – a sign of how what she calls "national pathos" binds both East and West.

Mr Werner Holzer, editor of the left-leaning Frankfurter Rundschau newspaper, agrees that Germany's emotional tremors have failed to spark off "national euphoria". Mr Holzer acknowledges East Germans' worries about becoming "second class citizens" but believes that human contacts will help prevent any big split in society."

Not everyone is so sanguine. One veteran Free Democrat deputy in the Bundestag confesses herself fearful of German nationalism coming again to the surface. Asked about East Germans' obvious yearning for unity, the deputy – who boasts impeccable liberal credentials – scoffs: "They just want to travel – and they want our money!"

She says that she receives about 12 letters a week from West Germans urging policies such as reclaiming Germany's pre-1945 territory in Poland. "If you saw my post, you'd be frightened too," she adds.

This sort of anxiety underlines that German emotions will remain on the boil. But the reassuring message after Wednesday's near-tragedy is that they are not about to spill over.

LETTERS

Mitterrand or the Ray, Jack and Pete show

From Mr Bruce Rowe.

Sir, Your editorial comment ("Mitterrand, the monetarist," April 20) made fascinating reading.

Your description of French economic policy since 1983 and its results make the comparison with the UK highly gratifying and flattering for French policy-makers.

However, I am sure that more readers than this one long-term French resident will *find your attribution of paternity* for this policy to Mr François Mitterrand a lyric flight into the realms of historical fantasy.

President Mitterrand can rightly be given credit for the paternity of several key economic policy initiatives such as the reduction of the working week from 40 to 39 hours without loss of pay, the granting of a fifth week of paid holiday and the exemption of works of art from the Socialist-created wealth tax. He also established in his 1988 presidential election platform the "neither national*isation nor* privatisation" doctrine which has since created capital financing problems for growth-minded state-owned companies, but did not stop the Air France takeover of UTA, France's only major private airline.

However, while "Dieu," as President Mitterrand is popularly known, thanks to a satirical TV show, has his "hands on" in many mysterious ways, Divine Leader of Economic Policy is not one of them.

At the time of the famous 1983 U-turn, as you call it, Mr Mitterrand's personal preference to recover from the disastrous economic results of 1981-1982 Socialist policy was to adopt a severe protectionist stance. This would have involved tightened exchange and price controls, and taking France out of the European Monetary System! He was thankfully argued out of this by Messrs Pierre Mauroy, Jacques Delors and French Treasury advisers.

Some of us would argue that 1983 was not in fact a U-turn at all but rather a continuation of the policy introduced by Mr Raymond Barre, Prime Minister and Minister of the Economy and Finances under President Giscard d'Estaing, and which was dropped by Mitterrand and the Socialist Government, after 1981.

The "monetarism" you attribute to Mr Mitterrand was in fact fathered by Mr Barre and – with a new nickname ("Austerity" Barre became "Rigour" Delors) to disguise the change of political family – was adopted by Mr Jacques Delors and subsequently Mr Pierre Bérégovoy. A more accurate but less elegant title for your comment would therefore have been "Ray, Jack and Pete, the French monetarist mob."

Bruce Rowe,
Rowe International,
9 Avenue de Friedland, Paris

Captain Becher and the brook

From Mr Michael Becher.

Sir, It may have struck more than one of your readers ("The killing game," Weekend FT April 7) as unlikely that Becher's Brook would have been named after Captain Martin Becher if all he had done was to fall off there (once) and "cower" in the ditch.

No sir. Martin Becher, in the race which then involved three circuits of the course, was unseated at the same fence each time but, far from just "cowering," remounted and came in second. That was regarded as quite a feat, and in fact rather a good show, what!

I believe the original "Grand National" was run at Newmarket exclusively for cavalry officers and their mounts. The first, in which Capt Becher distinguished himself, was in 1837. A few years afterwards it was transferred to Liverpool following the relocation of a prominent regiment.

Michael D.S. Becher,
Le Bourg,
St Privat des Prés, France

From Mrs M. Hill

Sir, Sir Stephen Hastings (Letters, April 21) accuses Mr Thompson-Noel of whingeing about supposed cruelty in the Grand National. He must be a blood relation of the female huntsman who said she saw a fox turn around and laugh with enjoyment of the chase before it was torn to pieces.

Marguerite Hill,
Heather Lodge,
Chalk Lane,
Epsom, Surrey

Training places guarantee

From Mr Michael Howard.

Sir, Vivien Stern (Letters, April 26) talks of cuts in funding and of a threat to training schemes. The reductions in funding for young people's training reflect significant reductions in unemployment, increased staying-on rates in full-time education, demographic change and increasing contributions by employers.

Our objective for youth training is to secure quality training at the best price for the taxpayer. To this end, officers of my department are currently negotiating with training providers. These negotiations are not complete.

The Government's guarantee of a suitable training place for every non-employed 16 and 17-year-old remains in force and will be met. There is no threat therefore to trainees on youth training, though the position of particular providers clearly cannot be guaranteed.

Ms Stern makes the point that Nacro's youth training schemes are not profit-making; she fails to point out that Nacro has made a healthy surplus of some £5m in the recent past on training programmes funded by this department.

Michael Howard,
Secretary of State
for Employment,
Caxton House,
Tothill Street, SW1

HSE inspectors' pay and morale

From Mr J.D. Rimington.

Sir, Diane Summers ("Factory safety checks behind schedule," April 26) mentions references in a two-year-old internal audit report to low morale among Health and Safety Executive inspectors and dissatisfaction with pay levels due to lack of resources.

She quotes Mr Tony Lloyd as inferring that "ministers and HSE together have planned for under-funding" – a surprising and as he evidently said, very serious charge, considering that the executive serves the Health and Safety Commission, not ministers directly.

The actual position is that from 1980 manpower restrictions common to the whole Civil Service at a time of economic recession forced us to suspend recruitment of factory inspectors. This certainly badly affected morale; and the fact that the first recruits (from 1985 onwards) could not be fully trained and effective for two years threw great burdens on the group of inspectors referred to, who I must say responded magnificently.

The Government agreed in 1987 to the Commission's *requests for resources to* expand inspector numbers and has continued since to support that aim, which is being successfully pursued. Pay has also been improved in real terms.

No purpose is served by resurrecting issues and difficulties that are receding.

J.D. Rimington,
Director General,
Health & Safety Executive,
Baynards House,
1 Chepstow Place, W2

Investment in the 1990s: questions of ethics and the legal duties of trustees

From Mr Michael Sladen.

Sir, With reference to your editorial comment ("The ethical way to invest," April 14), there is nothing silly about the Vice-Chancellor's statement that financial return takes priority over anything else so far as investing trustees are concerned. It has long been established that trustees are bound to do their best for their beneficiaries and, in general, this means producing the best result in monetary terms, irrespective of the trustees' personal views about right and wrong. If gazumping will be better financially than sticking to a gentleman's agreement, then trustees must put their finer feelings behind them and gazump.

The rule *has the advantage* that it is not too difficult to decide whether or not a trustee has performed his investment duty with reasonable success. Once you start introducing ethical factors it becomes much more difficult to assess the progress of an invested fund.

Anyone setting up a trust can, of course, direct the trustees to take into account ethical factors when making investments and so not necessarily go for the best financial return. This will complicate the trustee's job – hard enough already – and impede judgment of his performance.

Michael Sladen,
Temple Mead,
Shimpling,
Bury St Edmunds, Suffolk

From Mr R. Elliott Kendall.

Sir, You rightly say that the days when portfolio decisions could be made in a complete moral and social vacuum are numbered. One indeed hopes that this may be so, but there is much evidence to suggest that there is a long way to go.

The growth in ethical investment in the US and the UK is a clear sign that it is on the agenda for the future. The subject is being addressed more seriously by institutions and not least by the churches. The latter are not simply trusts but come under charity law where they may be expected to give constant attention to the ethical objects of the charity.

This is important in the initiative taken by the Bishop of Oxford to which you refer. Churches have an inescapable responsibility towards the religious and ethical grounds of the Christian faith. At no point can the faith divorce itself from ethics. Incidentally this move is being taken by the Christian Ethical Investment Group, which is in informal relationship with the General Synod.

The Church Commissioners and other churches have to work out a more developed set of ethical principles for investment. The old rules will no longer do. It is an apparent reluctance on the part of the Church Commissioners which has made this action necessary.

The Church of Scotland has gone further than other churches in producing a substantial report, The Ethics of Investment and Banking, which is worthy of study. It says: "Christians are called to work with others for a better ordering of society ... In doing so they will be commending ethics which are based on reality, capable of application to contemporary issues, and necessary for a better world."

It is altogether appropriate that the churches in Britain should take a strong lead in this matter, and for that reason the bold lead by the Bishop of Oxford is greatly to be welcomed.

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Glum week for Tories

IT COULD hardly have been a more dismal week on the economic front for Tory politicians who are biting their nails over the outcome of next Thursday's local government elections. Several painful reminders of Britain's recent monumental credit binge just happened to surface all at once.

The most spectacular was a far worse than expected current account figure for the first quarter of the year; and the Chancellor Mr John Major did little to help the Tory cause in a television appearance by attributing the outsized three-month deficit of £5.6bn to "disconjunctions" and erratics.

What the man or woman on the proverbial Clapham omnibus made of this oblique, if multi-syllabic, way of saying that erratic items belied a more favourable underlying trend, we shall know in due course. But opposition politicians were quick to seize on the point that the average monthly deficit will have to be held at a mere £1bn if the Treasury's budget forecast of £15bn for the year is to be met. The FT-SE 100 Share Index passed a more immediate verdict by plunging to a new low for the year. More than six months's worth of gains in UK equities have now been wiped out.

Perhaps more worrying, because it was based on more plausible figures, was the statement from a rueful Sir Kit McMahon about worsening prospects and mounting bad debts at Midland Bank. Sir Martin Jacomb, deputy chairman of Barclays, chipped in with another gloomy warning about the impact of high interest rates. But unlike Midland he was able to provide shareholders with an assurance that trading in the first quarter of the year had been satisfactory.

A more tangible indication of the extent of the squeeze has been coming from the property market, which saw a sizeable receivership this week at developer Rush & Tompkins. Estimates of bank loans outstanding to the UK property sector now top £32bn. Since nobody is stepping forward to buy the property financed by much of this bank debt, a great deal of speculative development in the pipeline stands to dent the profits of the clearers.

Encouraging pointers

Not that the party is over everywhere. For those who remain convinced that the past decade has seen real changes for the better in British industry there were some encouraging pointers, not least record operating profits and improved productivity at Vauxhall, the UK subsidiary of General Motors. Not only is it paying corporation tax for the first time in more than twenty years; it is preparing to resume car exports to continental Europe.

That follows news of record profits from the UK subsidiary of Peugeot, which has announced plans for substantial new investment. Taken together with large Japanese investments in Britain the news holds out longer-term hope of an end to balance of payments bother. Yet the absence of the much predicted profits squeeze in manufacturing has also left the door open for an upwardly mobile going rate for pay awards that threatens to exceed 9 per cent.

Inflationary threat

The gilt market now has an inverse yield curve, in which short rates of around 14 per cent fall to less than 12 per cent at the long end of the market. This appears to suggest that investors regard the inflationary problem, with the attendant threat to sterling, as temporary. In contrast West German bonds now yield more than short-dated paper at around 8¾ per cent, pointing to perceptions of a longer term inflationary threat in Germany.

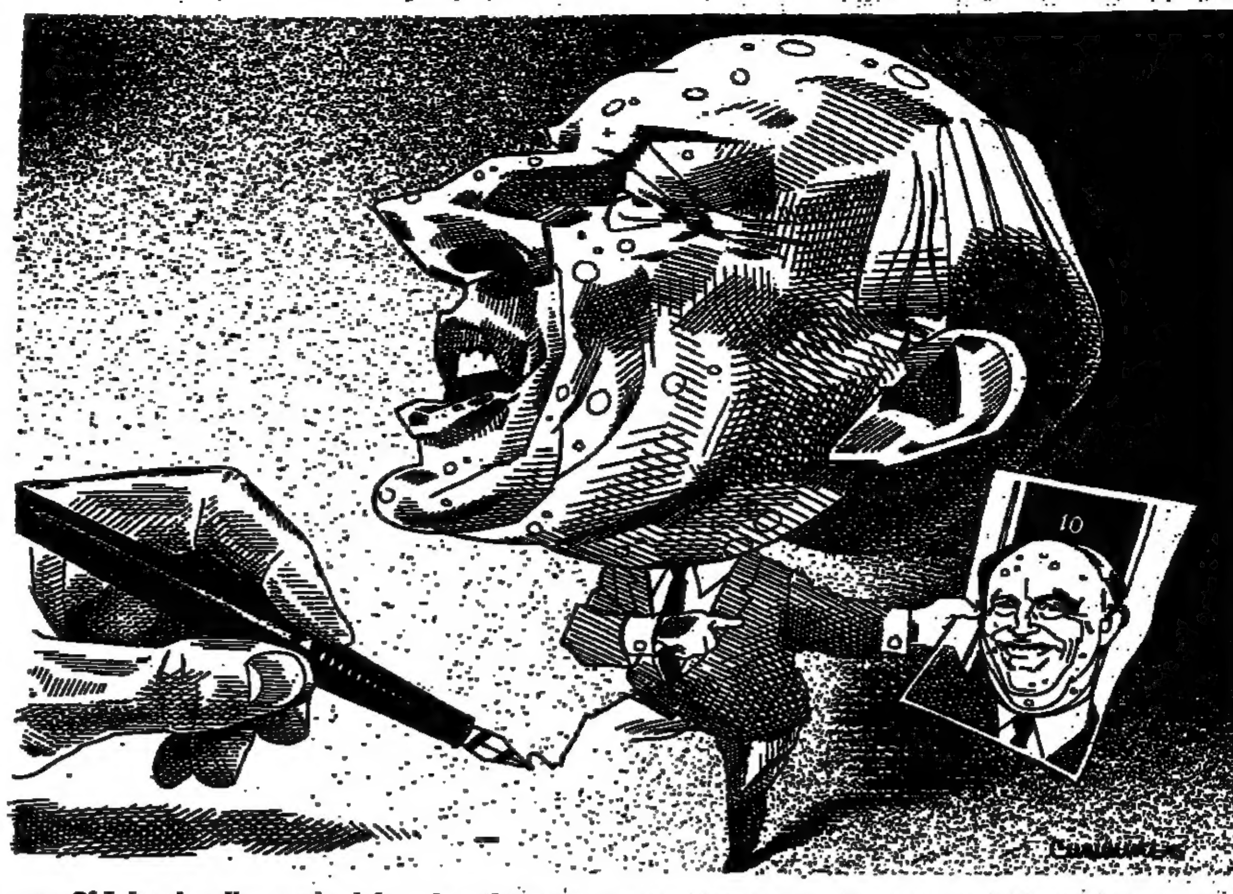
The positive German yield curve is largely due to the global capital shortage. But the logic of relative yield structures in Britain and Germany seems upside down. Unification undeniably poses a temporary problem for monetary and fiscal policy. But the risk in the East German monetary overhang has been exaggerated, while the political constraints on looser fiscal policy are often under-estimated by the analysts.

In the long run East Germany will exercise a benign effect on the price level because, even after this week's commitment to a one-for-one conversion rate for wage payments, it will still be a low-cost source of supply within the German economy. Moreover, the Bundesbank president Mr Karl Otto Pöhl seems remarkably unruffled about the threat to price stability. He remarked this week that he was satisfied with the present interest rate structure.

It is hard to be so sanguine about the prospect in the UK, as the debris from the credit boom is cleared from the system. And the global scarcity of capital continues to exert downward pressure on bond markets, with US Treasury bond yields recently topping 9 per cent. Long gilts still look vulnerable, although a dividend yield of more than 5 per cent on the All-Share Index has obvious attractions for private investors.

Michael Cassell profiles Neil Kinnock, soon to become Britain's longest-serving Opposition leader

Rattling the gates of Downing Street



Mr Neil Kinnock, who is daily shaping himself to become the first premier since Ramsay McDonald without previous ministerial experience, has a private pledge to fulfil from the other side of Downing Street's wrought iron gates. After giving a prime ministerial nod for Mrs Thatcher's peerage, he aims to have the gates dismantled.

The symbolic if satisfying gesture, says Mr Kinnock – 48 last month and soon to become the longest-serving opposition leader in British political history – would signal the beginning of "government with the people, rather than over the people."

After 20 years in the Commons, nearly seven of them as Labour leader, Mr Kinnock may now indulge in such thoughts without being portrayed as a fantasising, Welsh fool.

No longer is it inviting ridicule to ask whether the back-slapping, assiduously matey miner's son, who greets people with a "Hi kid!", will make it to Number 10. Written off repeatedly in the past as a political lightweight who is not prime ministerial material, he now stands alone as the non-Tory alternative to Mrs Thatcher.

The leader of the opposition believes that the Prime Minister, for whom he retains an unalloyed dislike, could yet go quietly during the summer. But even if she did, and the Conservatives were to bounce back under someone like Mr Michael Heseltine, Mr Kinnock is quick to claim that it would not make any difference to him.

"I don't care who it is. It is the actions of Conservatism in government that people strongly dislike. To try and offer a softer Tory image will only make the national lip curl."

The two party leaders could hardly be more different in style or temperament. While he is prone to curse colourfully and enthusiastically, Mrs Thatcher's dictionary of naughty words barely extends beyond "socialist".

After more than a decade in power, Mrs Thatcher appears a quasi-regal figurehead, cocooned by power. Mr Kinnock eats out in Ealing, his very ordinariness a source of criticism.

Although the opinion polls make light work of the psephological mountain which Labour has yet to climb, Mr Kinnock faces a period of intense examination and analysis. It will end either in a personal triumph or in a second, and probably final, defeat.

His Tory opponents – convinced Mr Kinnock is mercifully the weakest link in the party he has strengthened – are again refining their abuse. They are ready to tap what they still believe is a deep vein of public scepticism over his political credentials.

He is, to Cabinet members and other Tory MPs, "a prattling political pygmy" to Mrs Thatcher's "political giant", a politician who offers voters "the consistency of the chameleon and the wisdom of the weathercock", a party leader who had told his party "to smarten up and shut up".

Mr Kinnock has a simple response to all this. "It is a waste of time to compare us," he says. "I am willing to be judged on the basis of results."

He brushes off accusations that Labour has engaged in a conspiracy of silence on policy, that it has relied too heavily on the Government's unpopularity, and that on such occasions as the Mid-Staffordshire by-election it presented a "non-stick" version of socialism.

"People accused us in Mid-Staffordshire of putting on our best show. I wonder why they didn't say the same thing about Eisenhower on D-Day. If you are fighting to win, you don't do your second best."

He says Labour will not be rushed; it will choose the timing and circumstances of its detailed declarations of intent itself. Work on a more specific campaign document is now under way. Of Labour's policy overhaul, he says the changes are "serious, not superficial; the genuine article."

As the Labour leader is only too well aware, he has been treated with condescension by the Establishment – labelled, in the words of one national newspaper, "an engaging but essentially provincial character". Perhaps more justifiably, he is sometimes painted as a man prone to periods of deep pessimism, cast into dark moods and temporarily beyond the consoling reach of his colleagues.

He laughs dismissively over tabloid stories of his "suicidal" periods, although he readily admits to being moody. "Of course I have moods. Ups and downs. But I am sitting there in a nice house with a wife, two fit, beautiful kids and two cars in the drive. What have I got to worry about?"

He cannot deny that he possesses a temper which can sometimes get the better of him, invariably at the least auspicious moment.

Asked about the implications of a "short fuse" in government, the man who patently did not like being pushed around by soldiers in the African bush and who took gross exception to being "kebabbed" on economic strategy by the BBC, replies only: "No problem, no problem."

At the core of the Tory campaign will be Mr Kinnock's lack of experience. His most senior governmental job, his opponents will point out, was more than 15 years ago – as a parliamentary private secretary to Mr Michael Foot when he was Employment Secretary. The Conservatives will also make him out to be unprincipled – to have abandoned central tenets of his democratic socialist creed in order to rekindle electoral support.

There is criticism from within, as well as from without. Cries of "traitor" and "sell out" can still be heard from the party's unreconstructed hard left, so recently in the ascendant but now so utterly emasculated by his own efforts. There is more mainstream criticism, also. Some Labour MPs, inhibited from speaking too loud by the prospect of success, expect his temperament to let him down in a crisis.

Some believe his crime will be to vacillate in the search for compromise. Others, conversely, expect he may prove too ready to rush headlong into the wrong decisions. One senior Labour politician offers another alternative: "He will simply be putty in the hands of the civil servants."

Written off repeatedly in the past as a political lightweight, Mr Kinnock now stands alone as the non-Tory alternative to Mrs Thatcher

There are also those MPs who believe he will quickly become isolated from the parliamentary party's rank-and-file – a criticism which he has already faced as Opposition leader.

It is generally acknowledged, even among some Tories, that many of his front-bench team are highly capable and would make sound ministers. For the most part, their leader has been good at leaving them to get on with their jobs, a "hands-off" strategy generally maintained while Labour's two-year policy review was under way. Mr Kinnock claims the approach would not change with the advent of power: "If they get it wrong I know they know; they do not need a thump between the shoulder blades from me. There is no point in appointing people to positions and then sitting on their shoulders."

A prime test of his leadership strength will lie in his ability to handle the inevitable frustrations among colleagues with years of pent-up aspirations but limited resources. He has learned to keep a rein on the party during the process of internal reconstruction. But reading the riot act to fringe extremists may turn out to have been an easy task compared with that of spelling out the facts of life to cabinet colleagues with big spending ambitions.

According to one figure who would be in the first Labour cabinet session: "There can be no 'Mr Nice Guy', no agonising, no giving in round the edges. It will be the real thing and we will only get one chance."

There are some misgivings within the party about the quality of a number of Mr Kinnock's closest advisers and their ability to provide a man who in the eyes of some of his colleagues tends to fight shy of rigorous intellectual challenges with the necessary depth of support.

But the experience issue, though it will be played for all it is worth, may ultimately prove of little consequence. When Mr Harold Wilson became prime minister in 1964, it was more than a decade since he had been President of the Board of Trade. And although Mrs Thatcher had been Education Secretary, her prime ministerial appeal did not lie principally in her experience.

As for proven political skills, Mr Kinnock has, through dogged hard work and a thorough understanding of what makes his party tick, contrived to bring Labour back from the dead. In pressing for reform, he has succeeded where Hugh Gaitskell failed and where Mr Wilson and Mr James Callaghan never really tried.

Although he does not expect voters to applaud his backroom efforts, he expects some electoral bonus: "We hope they will take a view of the effort, the consistency, the tenacity, the sense of purpose involved, which is what they look for in a democratic government."

Now he has established command over Labour's policy-making machinery, to the point where he can even embark on dismantling the trade union block vote – and confidently expect to succeed.

His abandonment of unilateralism emerged after some painful, semi-public agonising which did little to enhance his reputation for clear-thinking or decisiveness. But he eventually did what he believed had to be done and demanded endorsement from the party. An aide remarked: "It was a huge weight off his shoulders. With one bound he was free!"

He vigorously rebuts accusations that, in changing his stance on defence, he has dumped a long and dearly-held principle merely to make himself electable. The world, he says, moved on; Labour's approach was no longer sustainable or credible.

Mr Kinnock has also warmed to Europe in a way which seems at variance with his earlier hostility to the European Community. He travels regularly to European capitals, widening his circle of political contacts and friends.

Such personal reverses are seen by his Tory opponents, raised on a diet of unswerving, unrepentant, Thatcherite resolve as the actions of an unprincipled, political dilettante. But he speaks of pragmatism rather than dogmatism as the touchstone for his first administration, of soothing voters after their years of chafing in the halter of radical change.

"She believes that there is redemption in extremism, that the further you go the greater your reputation for tenacity. The basic rule to which I will try and conform is 'when you come across a hole, don't dig deeper.'"

Mr Kinnock says his administration would "forge an alliance with the realists." He explains: "They are the people who have to deal with the conditions of everyday life, whether running a company, trying to organise a household or caring for a sick, loved one.

"They will have a government of people who understand what the score is, are capable of slipping off their shoes and doing their best, within limitations, to run the country. It will not produce heaven on earth but it will stop hell on earth."

There would be no easy fixes, he insists, somewhat predictably. Labour would be judged on its commitment to the long-term by a nation which can see where the short-term has got it – a message which he claims is now winning friends in a traditionally suspicious City.

Mr Kinnock claims the Prime Minister's definition of freedom rests exclusively on the freedom of consumption. "But in order to consume, you have to produce. She never, ever provided, or seeks to help people provide themselves with the means of producing."

He says she has released only the national potential for acquisition. He acknowledges this to be a legitimate goal but complains that she has made it the central objective. He is not so ready as his colleagues, however, to blame her alone for the creed of greed. This, he says, like poverty, has always been with us.

In the next two years it will be clear whether Mr Kinnock ever gets his chance to change things. A close adviser admits that his boss might not yet have all the knowledge, experience and political maturity required to be prime minister. But he adds: "Judge him not by what he is but on what he has the ability to become."

Martin Dickson on BTR's failed bid for Norton

A little local difficulty

Norton employees protest outside the Worcester factory

Near the centre of Worcester, a city of 170,000 souls in the middle of Massachusetts, stands the Trinity Lutheran Church, a monument to the power of prayer and the generosity of the Norton Company.

Worcester folk with a long memory can tell you that back in the 1940s, when the Lutheran building went up, Norton was in the habit of donating funds for local church construction, distributing largesse according to the number of its employees in a particular congregation. It was a fruitful conjunction of the Christian piety and capitalist enterprise which has underpinned the business culture of New England for centuries and which still survives at companies like Norton, Worcester's largest private employer.

"These are people who give back to the community," says Mr Jim Welu, executive director of the magnificent Worcester Art Museum, one of the finest of its size in the world. It is another grateful recipient of Norton generosity.

All this explains Worcester's horror six weeks ago when it woke up to find Norton, a manufacturer of sandpaper and other abrasives, on the receiving end of a hostile takeover bid from the British industrial group BTR. An awful lot of vested interests were at stake. It also explains the ferocity of the town's response and the bloody nose it inflicted on BTR this week.

For the British company withdrew its bid on Wednesday in the face of a far higher and more friendly offer from the French glass company Saint-Gobain, which explicitly undertook to maintain Norton's role in the community.

But while BTR's bid may be dead, it is worth an inquest, for the battle throws light not only on the social and economic fabric of Worcester but on some important shifts in the mood of grassroots America.

First, the timing of the bid was unfortunate, coming as it did at the very end of the great American takeover boom of the 1980s. Beyond the world of Wall Street, there is a growing revulsion against hostile takeovers in general and the quick-buck financial engineering of the era in particular.

Nor did it help that BTR was British, for the bid hit a nerve of chauvinistic anxiety over the many prized American assets that are being snapped up by foreigners, notably from Japan, Britain and France. Last year's collapse of the US junk bond market, removing many domestic bidders from the scene, highlighted, if not accentuated this trend.

Third, the battle brought to the fore a growing feeling that it is not just shareholders' interests that matter in a takeover. Other constituencies, such as employees and the local community, matter too.

All these themes welled up in Worcester and washed out across the state, even to Washington, in a powerful political response. Demonstrating an unprecedented speed and rare unanimity, the state legislature rushed through a bill specifically designed to thwart BTR, by restricting the number of Norton boardroom seats it could contest at the company's annual meeting. In Washington, the Massachusetts delegation, backed by over 100 other congressmen from across the spectrum, urged President Bush to investigate this foreign bid on the rather flimsy grounds of national security.

It is no coincidence that this is an election year in Massachusetts; that Governor Michael Dukakis (who signed the anti-BTR bill in a Norton workshop) is unpopular; and that the state, like New England generally, is in the throes of a fiscal crisis. But even without these imperatives, the politicians would almost certainly have rallied round Norton, because of its particular role in the community.

Worcester has been slower than many other New England rivals to pick up on development aid – a cause of much political criticism – and its downtown area is a down-at-heel relic of the 1960s.

But first impressions can be misleading. For more than a century Worcester has enjoyed a vibrant, much changing, economy. In the last century it was a cradle of the industrial revolution and was known as the wire capital of the US.

Since then, most of the heavy industry has moved on to cheaper labour markets. Norton is one of the few big survivors. But new industries have sprung up, in services in computers and bio-technology. In short, a natural process of change has created a prosperous, well-balanced economy.

Worcester, then, is hardly a one-company town, yet since its foundation in the 1880s Norton has been a remarkably powerful influence on the city. This is because, like many powerful people, it has a strong and simple vision of the world, which is best summed up by Mr John Jeppson, a retired chairman of the board, whose grandfather was one of the seven founders of the company: "The profit motive has to be number one, to keep the business going, but number two is being a good citizen."

The company's good works are there at every turn, both in direct employee benefits and aid to the wider community, be it for the arts, the poor, the drug abuser. And it goes beyond simple money. Norton employees are encouraged to give of their time, creating a complex web of loyalties between city and company. Norton even seconds staff free of charge to the city government to help with development projects. Says Mr Jordan Levy, the mayor: "If I call up John Nelson (Norton's chairman) and say I need help, its there."

But while Norton has enriched the lives of Worcester folk, the same could hardly be said in recent years of its shareholders. Earnings last year were hardly higher than a decade ago, and investors hardly gave the management a vote of confidence when over 60 per cent of shares were tendered to BTR's offer.

But Norton refused to talk to the British company, fearing that if it took over the whole fabric of the community would be torn asunder. BTR became tagged with a powerful and negative image – part fact, part myth – which replicated in a remarkable manner its public relations disaster in the bid three years ago for Pilkington, the British glassmaker.

Pilkington, like Norton, was noted for its service to the local community. BTR, in contrast, has long eschewed charity, concentrating instead on returns to the shareholder.

Norton, learning from Pilkington's propaganda, declared that BTR short-termism would slash its research programme and destroy its role in Worcester. The City believed that the British would move many of Norton's operations to places where labour is cheaper. BTR denied this, but no-one believed it, for Worcester already had experience of the company's methods: at the start of the 1980s it bought Worcester Controls, a local company, and that packed its bags and moved south.

From Worcester's viewpoint, cutbacks at Norton would have been a severe economic jolt, since apart from the company's direct 3,000 employees, it generates another 3,000 jobs in the area among suppliers. And the job losses would come at a time when economic depression in New England means local unemployment is over 5 per cent for the first time in a decade, and rising.

"BTR would be the worst tragedy to hit this town in its history – and we had a bad tornado in '52 which killed 100 people," declared Mr Paul Morgan, industrialist and fourth-generation Worcester man.

In the end, though, it was not history which saved Norton but hard cash, in the form of an extraordinarily full offer from Saint-Gobain – and guarantees to maintain plants, jobs and community works for at least the next five years.

So the good citizens of Worcester can sleep at night, thankful that some foreigners can be friends – if they knock first, have good table manners and deep pockets.

UK COMPANY NEWS

Monks & Crane agrees West German cash bid

By Clare Pearson

MONKS & CRANE, the USM-quoted distributor of industrial tools and fittings, is recommending a £16.6m cash offer from a West German fasteners distributor. The move follows M&C's dissatisfaction with the performance of its share price and its search for a merger partner.

The company has seen its share price fall from more than 110p over the last year and has been seeking a partner for some months.

"With the USM in the state it is, we can see no advantage in remaining independent," said Mr Albert Specie, chairman.Mr Walter Jaeger, a director, added that the share price had fallen far short of reflecting the value of its UK distribution network.

Würth, a privately-owned company, is offering 93p per share, a premium of more than 80 per cent to Monks & Crane's opening price of 53p yesterday. The shares closed at 91p.

The offer, being made by Reca, a wholly-owned UK subsidiary of Würth, includes a partial loan note alternative.

Sumit, the venture capital investment company which has a 24.85 per cent stake, is accepting as are directors speaking for 7.83 per cent.

Würth, towering over M&C with sales of DM1.55bn (£700m), said the UK company would be a useful addition to its worldwide family of companies, with a complementary product range.

M&C also announced that pre-tax profits for the year to end-March would be substantially lower than the £2.5m of last time. It suffered a sharp profits downturn in the first half to end-September, when the taxable result came out at £824,000 (£1.22m). This included an exceptional loss of £122,000 arising from the closure of branches.

The Würth group of companies, with about 700,000 customers in 33 countries, had retained profits of DM66.7m (£24.25m) last year. The acquisition of M & C will substantially increase the size of its operations in the UK, where it is currently involved only in supplies to the automotive components industry.

Euro Leisure urges acceptance on Midsummer shareholders

By John Thornhill

EUROPEAN LEISURE, the night club and theme bars group, has again written to the shareholders of Midsummer Leisure extolling the virtues of its offer and urging them to accept by the first close on Monday.

Midsummer, which runs pubs, discos and snooker clubs, originally recommended European Leisure's offer when it was launched in early April. But the subsequent deterioration in the stock market – which has reduced the value of European Leisure's all-paper offer from about £89m to £75m – resulted in Midsummer withdrawing its recommendation and advising shareholders to reject the bid.

EL's shares closed a further 4p down at 63p yesterday giving its offer a value of about 143p for each Midsummer share. This compared with Midsummer's closing price of 109p, down 1p.

In his letter, Mr Michael Ward, chairman of EL, argued that the bid still offered Midsummer's shareholders a substantial capital uplift of about 35 per cent.

He also questioned the viability of Midsummer remaining independent considering its high gearing levels and dim trading prospects.

EL has already received irrevocable undertakings to accept its offer from shareholders representing 19.8 per cent of the shares, including 15.1 per cent owned by Midsummer's directors.

But Scottish Amicable, Midsummer's largest institutional shareholder with a stake of 11 per cent, made it clear yesterday that it would reject the bid. "The upside potential of Midsummer is much better if it remains independent than if it becomes part of European Leisure," said Mr Robert Elliot, Scottish Amicable's deputy investment manager.

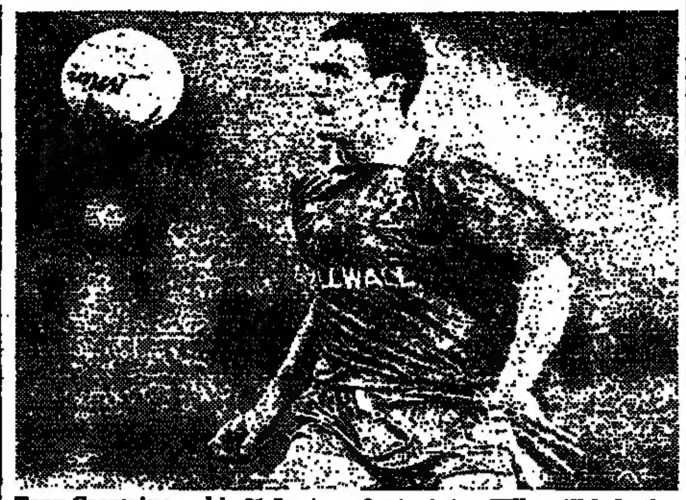
EL has been unable to buy shares in the open market because it was privy to privileged information when it originally negotiated its agreed offer with Midsummer's directors.

Ransomes critical of MMC referrals

RANSOMES, the manufacturer of grass-cutting machinery, has taken advantage of its annual meeting to criticise Government decisions to refer two of its recent planned acquisitions to the Monopolies and Mergers Commission, writes Nikki Tait.

"The board firmly believes that it must be in a position to compete, not only in the United Kingdom, but also in Europe and certainly as far as the commercial grass machinery is concerned on a global basis," it told shareholders. However, the group added that it had already put in submissions to the MMC, and was hopeful of gaining the requisite approvals.

Ransomes has seen its $150m acquisition of Cushman Group in the US and its £9m purchase of Westwood, a garden tractor maker, referred. It added that it expected a "a significant improvement" in performance during the current year.



Tony Cascarino – his £1.5m transfer to Aston Villa will help the full-year profit and loss account

Millwall scores trading profit in first half

By Jane Fuller

ALTHOUGH it may seem small consolation to Millwall football fans, whose "Lions" roar has been muted by their team's imminent relegation, the club's holding company made a trading profit of £133,000 in the six months to January 31.

The south London club, which is about to descend into the second division after two seasons in the first, joined the USM in October. In the year to July it had made a trading profit of £212,000 on sales of £2.73m.

The first-half profit came on turnover of £1.63m. Mr Reg Burr, chairman, said no figures were available for the corresponding period of last year.

Any money made or lost on the transfer of players was not included in the figures released yesterday. Mr Burr would not say what the state of play was on the transfer account, but conceded it might be positive – which would not be surprising after the £1.5m sale of Republic of Ireland striker Tony Cascarino to Aston Villa.

Relegation could have an impact on the club's turnover, for example through the reduction of match receipts, which shot up from £288,000 to £1.2m in the three years to July 1989. Mr Burr said that the average gate this season was just over 14,000, a reduction on last year. But he reckoned a successful campaign for promotion next season, under new manager Mr Bruce Rioch, could reverse that decline.

Another vulnerable figure is the £200,000 that comes to each first division club through the distribution of television fees. Second division clubs only get about £60,000, although good cup runs can bring in additional amounts.

Following last month's £10m acquisition of Tavern Leisure, which owns more than 40 pubs, Millwall Holdings is changing its year-end to May 31. Although the rapidly expanding Tavern had made a first-half loss, Mr Burr said it should break even for the year.

● Edinburgh Hibernian, which runs the Scottish Premier division football club and other leisure activities, made a pre-tax loss of £436,000 in the six months to January 31.

An operating profit of £102,000 could not outweigh interest payments of £442,000 and transfer costs of £96,000. Turnover came to £2.53m.

Mr David Duff, chairman, held out the prospect of the Third Market company benefiting financially from the sale of several senior players whose contracts were drawing to an end. The main source of replacement would be young players brought on by the club.

Reducing debt remained a high priority, he added.

For the 50 weeks to the end of July 1989, turnover amounted to £1.78m but there was an operating loss of £501,000. Transfer costs of £837,000 contributed to a pre-tax loss of £1.63m.

INTL. COMPANIES AND FINANCE

Return to profits by Black & Decker

By Roderick Oram in New York

BLACK & Decker, the household equipment maker, has returned to profits after three quarters of losses following its $2.8bn purchase last spring of Emhart, the plumbing supplies and hardware maker.

Net profits for the first quarter ended April 1 were $10m, or 17 cents a share, against a profit of $25.9m, or 44 cents, a year earlier. Revenues rose 76 per cent to $1bn from $570.7m, reflecting the acquisition.

Operating income advanced 148 per cent to $108.2m from $43.6m. Operating margins improved in the US thanks to price increases, manufacturing efficiencies and better control of expenses and quality.

European sales were strong in spite of a continuing weakness of the UK retail environment.

The company plans to sell more Emhart assets. Some $1bn worth have been targeted for disposal but sales of only part of that total have been closed so far.

Analysts are expecting full-year profits of around $1.35 a share, up from 51 cents last year, but still below the $1.65 in 1988 before the Emhart purchase.

Domtex moves out of the red

By Robert Gibbens in Montreal

DOMINION Textile of Canada reported a third-quarter profit of C$1.5m (US$1.3m) on sales of C$317m, against a loss of C$3.3m on sales of C$341m a year earlier.

Domtex is Canada's only surviving integrated textile group with manufacturing and trading operations in the US, North Africa, Europe and Asia.

For the first nine months of fiscal 1990, profit was C$16.8m or 44 cents a share, against a loss of $3.1m or 28 cents a year earlier. Sales were virtually unchanged at C$1bn.

Domtex said US denim business was weak but European demand continued strong.

Banesto to raise Pta83bn by part flotation of unit

By Tom Burns in Madrid

A WEEK AFTER gaining a significant tax concession from the Government in order to create Corporacion Industrial y Financiera, a conglomerate that groups the widespread industrial and financial interests of Banco Espanol de Credito (Banesto), the bank's chairman Mr Mario Conde is set to earn Banesto a second windfall by placing 26 per cent of the holding on the market.

The flotation will be worth some Pta83.2bn ($784m) and will constitute the largest placement by a Spanish corporation after the partial privatisation of Repsol, the state energy group, a year ago.

It is being underwritten and lead by UBS Phillips & Drew and will be offered in international and domestic tranches, the division of which has still to be decided, later this year.

Corporacion Industrial y Financiera, which has a value at current market prices of Pta330bn, is easily Spain's largest private sector holding.

It has controlling interests in key companies across the whole industrial board, employs 50,000 staff and accounts for more than 1 per cent of the gross domestic product.The placement will reduce Banesto's stake in the corporation from 77 per cent to 51 per cent.

Leading companies in the corporation include Union y Fenix (insurance), Tudor (batteries), Agroman (construction), Acerinox (stainless steel), Asturiana de Zinc (mining), Sniace and Cellulosa del Nervion (paper), Sanson (cement), Carburos Metalicos (chemicals) and Petromed (refining).

"We're dealing with a good cross shareholding that allows international investors something to get their teeth into," says Mr Lawson Steele, Spanish strategy officer at UBS Philips & Drew said.

Hitherto institutional buyers into the Spanish market had their options reduced to acquiring equity in the banks, the electrical utilities and the small number of American depository receipts that includes Telefonica and Repsol.

Mr Conde received a fiscal breakthrough from the Government last week when the the Economy Ministry waived 70 per cent of the capital gains tax due on the the profits realised by Banesto when the bank revalued its assets in order to bring then under the same corporate roof. The concession came under a Spanish law that was framed to encourage mergers and saved Banesto Pta19.2bn in tax bills.

Mr Conde, a 41-year-old former industrialist who became Banesto chairman two years ago, will now be able to apply himself to raising the operating profitability of Banesto. The tax saving, money raised through the flotation, and the fact that revaluing assets improves Banesto's capital position, greatly strengthens the bank's balance sheet flexibility and its ability to raise new funds to expand its purely banking business.

CIR registers increase of 35% to L144.9bn

By John Wyles in Rome

CIR, Mr Carlo De Benedetti's publicly quoted industrial holding company, yesterday reported a 35 per cent rise in its 1988 net profits to L144.9bn ($117m).

The board decided on unchanged dividends of L130 per ordinary share, L150 per savings share and L170 per non-convertible savings share. The total payout will be L98.5bn, compared with L86.1bn last year.

Consolidated results were not yet ready but the first indications were of "an appreciable increase" on last year's net earnings of L146.5bn, excluding gains from the sale of Buitoni.

UK COMPANY NEWS

Deal provides relief for housebuilding sector after recent rash of failures

CU helps restructure as Anglia Secure falls to loss

By John Thornhill and Andrew Taylor

ANGLIA SECURE Homes, the loss-making sheltered housing and care services group, yesterday unveiled a complex financial restructuring package involving a rights issue and a link-up with Commercial Union, the composite insurance group.

CU will buy a 49.9 per cent stake in Haven Services, Anglia Secure Homes' service subsidiary, for £1.1m in cash. It has also agreed to subscribe for 1m Anglia shares at a price of 95p to raise £950,000 and to form a joint venture to develop advanced care centres for the elderly.

Mr Peter Ward, a director of CU, said the company had identified the elderly as an important and growing market sector. CU intended to offer specialised financial and insurance products for the elderly and wanted to complement this with an association with a provider of quality care services, he said.

Mr Peter Edmondson, Anglia's chairman, said his company would benefit from its association with CU and from its client base. "Commercial Union can get into the letter boxes of 2m people," he said.

Anglia's shares, which were suspended on Monday pending the announcement of the deal, were relisted yesterday and rose 3½p to 68½p.

Anglia's 1-for-2 rights issue at 70p per share will raise £7.7m and the proceeds will be used to strengthen the company's strained balance sheet.

CU has agreed to sub-underwrite 30 per cent of the rights issue and could end up with a shareholding of up to 14.1 per cent in Anglia.

British & Commonwealth Holdings, the financial services group, said it was considering its position regarding its 23.5 per cent stake in Anglia. But it seems that this holding will be sold given B&C's commitment to disposing of non-core assets.

Anglia also released its interim results yesterday which showed that the company had fallen into loss in the six months to March 31 1990. Pre-tax losses amounted to £2.86m including an exceptional charge of £2.03m which resulted from redundancy costs and stock write-downs. This compared with pre-tax profits of £2.76m in the corresponding period.

Sales were higher at £17.24m (£15.26m) as the company increased the number of units sold from 187 to 208. But margins were lower as a result of falling house prices and higher interest charges. The average selling price was just under £72,000, about £5,000 less than in the previous period.

Losses per share amounted to 12.8p (earnings 8.6p). The interim dividend was passed.

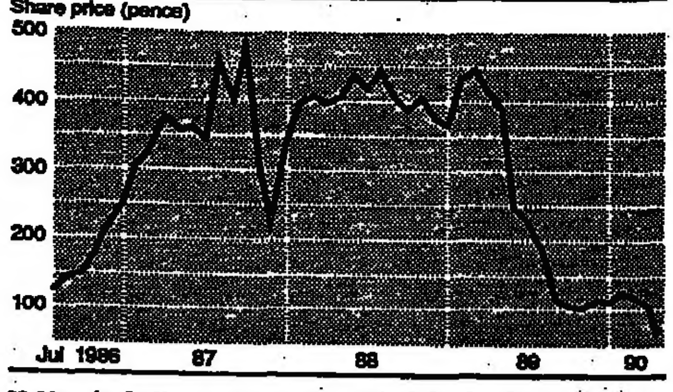
Anglia's deal with CU came as a welcome source of relief to the housebuilding sector which has been rocked by uncertainty in recent months. Last week, Rush & Tompkins, the UK contractor and commercial developer, collapsed and was forced to call in the receivers.

And this has been preceded a rash of other failures in the sector: Declan Kelly, a large private housebuilder, collapsed in February; JM Jones, a privately owned contractor and commercial developer in the Thames Valley, failed the same month, followed last month by Brims Holdings, a privately owned contractor in north-east England. Bestwood, the housebuilding and civil engineering group, went into receivership on Monday.

The shares of Federated Housing, the south of England housebuilder, and Wiggins Group, the London Docklands developer, are also currently suspended pending a review of their financial situation.

The retirement homes market has been hit particularly badly by the rise in mortgage interest rates, with a marked adverse effect on developers like Anglia, McCarthy & Stone and George Wimpey.

Anglia Secure Homes



Wimpey issues profits warning

Profits of George Wimpey, the UK's second largest housebuilder, will fall this year unless the Government reverses its policy of high interest, Sir Clifford Chetwood, the group's chairman and chief executive, warned yesterday, writes Andrew Taylor.

Wimpey's share price tumbled 8p to 219p following the profits warning. Sentiment in the housebuilding and property sector has been depressed by a run of bad news from various companies, the latest casualty being Rush & Tompkins, the UK contractor and commercial developer, which announced on Thursday that the receivers had been called in.

The receivers, partners at accountant Touche Ross, said yesterday it would take several days to investigate the financial position of the large number of joint developments which Rush & Tompkins had undertaken.

Sir Clifford said that housebuilders would continue to suffer while interest rates remained at their current level. He warned that Wimpey profits were expected to fall in the first six months of this year.

"If conditions continue unchanged we may see a further drop in earnings at the year end compared with 1989," he said.

Camford share purchase by profit-sharing scheme hits flak

By Jane Fuller

CAMFORD Engineering, the motor components group which is trying to fight off a hostile bid, has run into objections from both the predator, Markheath Securities, and its unions over the purchase of shares by its profit-sharing scheme.

On Wednesday, the Camford scheme bought 52,000 shares at 330½p, a smidgeon more than the final cash offer of 330p made the previous day by Markheath Securities, UK investment vehicle for the Australian conglomerate Adelaide Steamship.

Markheath expressed "grave concern" at this move. Mr Paul Bobroff, managing director, said: "It seems a strange piece of timing." His company's solicitors had written to Camford's solicitors asking a series of questions about the move.

At Camford, Mr John Gutteridge, finance director, stressed that no rules had been broken. But he somewhat ruefully remarked that the company's own trade unions had asked why the shares had not been purchased when they were at a lower price so that there were more to distribute.

He said that, under the scheme, 3 per cent of pre-tax profit – last year it was £5.8m – was put into a trust fund to buy shares for the employees. The fund was run independently by the National Westminster Bank.

Normally the trustees bought shares at the end of March. This time the company's financial advisers had insisted on a delay until after the release of all price sensitive information in response to the bid. A week ago, for example, Camford forecast that pre-tax profit for the year to September 30 would be more than £8m.

Mr Jan Ledochowski, of S. G. Warburg, said if the purchase of the shares had been further postponed, that action would have been open to criticism if the share price had risen again.

Markheath has also raised its eyebrows at the "interesting timing" of a handful of share purchases over the past couple of days by companies associated with Camford. Mr Ledochowski responded that the 100,000 shares involved represented only 0.5 per cent of the stock.

"These are supporters of the company who have asked to buy shares and they have all been given a firm lecture about the rules," he said.

Markheath launched its bid at the beginning of last month at 305p a share. The increased offer of 330p values Camford at £69m.

Mr Bobroff described the offer as generous, bearing in mind Camford's assets and performance. Camford rejected it as "miserable and completely inadequate." The target's share price, which fell to 210p in February, was 244p just before the bid. Earlier this week, Markheath increased its stake to about 32 per cent.

Yesterday Camford closed at 331p and Markheath at 59p.

LIT incurs losses of £17.6m

By Deborah Hargreaves

LIT HOLDINGS, the transatlantic futures clearing and corporate finance group, reported a loss of £17.6m for last year after extraordinary items and US trading losses consumed its operating profit.

The market had been anticipating the poor figures after the company warned it would make a loss earlier this year and LIT's share price was steady at 14p yesterday.

LIT says it is considering a recapitalisation and it is understood this could be in the form of an offering of convertible preferred shares. The company appears to have given up the idea of spinning off its US trading arm which it suggested earlier this year.

LIT is saddled with £35m in debt and its bankers have security over the company's major assets forcing the firm to institute a restructuring. The holding company will cut its staff from 25 to just 2 later this year leaving chairman Mr Christopher Castleman alone with his secretary at the firm's head office.

LIT's balance sheet is heavily loaded with extraordinary items which represent the sale of businesses such as its stake in the Levitt group – a personal finance advisory – sold below cost.

The firm's 8.7p per share loss comes after a profit of £4m in 1988 which represented a gain of 7.4p per share. Last year's figures were reduced by a £5.8m trading loss incurred by three options traders in the US.

LIT reported difficult market conditions for most of its activities this year although LIT America – its US futures arm – made a modest return to profitability.

The market for Business Expansion Schemes in the UK fell by more than 50 per cent hitting LIT's Johnson Fry unit. Analysts expect the company to make a loss of £0.4m or 4p per share this year.

CRT link up doubles its size

By Clay Harris

CRT GROUP, the training, recruitment and consultancy company which is emerging from the frayed rags of R Smallshaw (Knitwear), is to double in size with the acquisition of Link Organisation, a private operator in the sector.

CRT is to pay up to £17.25m in cash and shares for Link. The £10.9m cash element of the £14.25m initial consideration will be raised through an underwritten seven-for-nine rights issue at 60p. CRT's shares were suspended yesterday at 71p.

Link made £3.4m profit before tax in the 12 months to April 30 1989 and has warranted £3.5m for the year which ends on Monday. Additional payments of up to £3m are linked to profits in the succeeding two years.

Mr Karl Chapman, an executive director at CRT and one of the investors who bought into Smallshaw in December, said the company would specialise in services for sectors such as information technology and sales and marketing. It would avoid accountancy training, which had been cornered by CRT's three quoted rivals, DC Gardner, BPP Holdings and EW Fact.

With more than 4,500 private companies operating in the fragmented sector, there was great scope for consolidation, Mr Chapman said. Yesterday's deal was CRT's third acquisition.

CRT also announced a pre-tax loss of £1.9m for 1989 against a restated profit of £239,000 in the previous year. The loss, which comprises an £880,000 operating deficit, more than £500,000 in interest costs and £442,000 of exceptional charges, was all attributable to the textile operation.

This was now trading profitably, Mr Chapman said.

It is likely, however, that Smallshaw will be sold before the end of CRT's current year, the 16 months to April 30 1991. Payment of dividends is also expected to resume this year. CRT passed its 1989 final after a loss per share of 27.06p (earnings 2.78p).

Summer Intl optimistic despite dip in earnings

By Emma Tucker

NOW SHORN of its Language School Holdings subsidiary, Summer International, the educational and training group, yesterday announced a sharp fall in pre-tax profits from £1.01m to £62,000 for the six months to March 31 1990. Turnover fell to £3.66m (£9.35m).

Comparison with the performance of the group last year is misleading since last year's results included turnover and trading profits from Language School Holdings, which trades as Linguarama, sold to BPP Holdings in July 1989.

Nevertheless, fully-diluted earnings per share still fell by more than a half to 2.1p (5.3p). The interim dividend is unchanged at 0.5p, with any increase for the year being reflected in the final dividend. Yesterday the share price fell 4p to close at 37p.

The directors had warned shareholders in January of a relatively small trading loss for the first half year, and in the event the company produced a modest £87,000 profit before £25,000 of exceptional charges. The company said it viewed the current performance with optimism for the rest of the year.

Mr David Sinclair, the chairman, said he was very encouraged by the results. He added that the group's performance in the USA was improving with a growth in the level of student enrolment.

Mr Sinclair said that the reason for comparatively low profits was due to its purchase in January of American Hi-Tech which owns three vocational training schools in New York. The acquisition was expected to have an adverse effect on its earnings in the first half of the current year and the company was expecting a small trading loss.

Summer said that in the UK the training environment was deteriorating from reduced Government funding for Employment Training.

Allied-Lyons sells catering businesses

By Nikki Tait

ALLIED-LYONS, the brewing and food group, is selling its Town and County Catering Company and the assets of its J. Lyons catering business to a Swiss businessman, Mr Dieter Abt. The price has not been disclosed, but Allied-Lyons said that it was not material in relation to the group's assets.

The businesses being acquired take in the catering operations at the Wimbledon tennis championships and the Royal Garden Parties. They also cover leisure, airport and various in-house catering contracts.

Allied said that it had decided to sell the businesses as part of its "continuing strategy review", which is targeting the core food and drinks operations for future development. It pointed out that J. Lyons was principally involved in contract catering, while Allied's aim was to build up its restaurant and public catering activities.

Mr Abt said that he had no plans to make significant changes to the operational management or the style of the interests. He will be licensed to use the J. Lyons Catering name for two years.

Global over £0.5m in first seven months

Global Group, the former meat products company which has been turning itself into a shipping services and property company under new management, yesterday unveiled a pre-tax profit of £519,000 in the seven months to end-December. This compares with a £2.8m loss in the year to end-May 1989.

The figure is struck after interest charges of £203,000, against £837,000 in the last full year, and the earnings per share figure, after a nil tax charge, is 1.2p.

Below the line, there is an extraordinary profit of £117,000. The group expressed optimism over its shipping services division and said that remaining meat businesses also performed well.

It added that it would use its property interests to provide fund to finance future expansion.

HC Slingsby lower at £500,000

HC Slingsby, the truck, ladder and ancillary equipment manufacturer, saw pre-tax profits fall £9,000 to £505,000.

Earnings per share were 34.9p (33.9p) and a maintained final dividend of 5.5p makes an unchanged total of 7.5p.

Sales for the year were £10.39m (£9.31m).

Dewey Warren in bid talks

By Nikki Tait

Dewey Warren, the financial services group said yesterday that discussions are continuing with a number of parties which might lead to an offer.

The statement is thought to have been prompted by the fairly significant fall in the group's share price recently, and discussions between the company's advisers and the Takeover Panel. The shares, 130p in January, have fallen by around 20p since the start of the month to 98p ahead of the statement. It did not prevent a further 3p dip yesterday.

ASD cautious on future

By Emma Tucker

ASD, the USM-quoted steel stockholding and distribution group, yesterday warned that this year would not be easy for the group, adding that it was cautious about the short-term outlook.

In March, ASD reported a 9 per cent improvement in 1989 pre-tax profits at £7.03m, against £6.45m.

However, the second-half figures were hit by rising interest rates, leaving profits for this period down from £3.1m to £2.8m.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amer Plastics § ....fin	2.5★	-	2.5	2.5	2.5
Bletchley Motor§ ....fin	3.75	-	-	7.5	-
British Assets ....qty	0.95‡	July 9	0.775	-	3.3
Clayton Son & Co.......fin	9.3	May 24	8.3	11.5	10.5
CRT Group ....fin	nil	-	2.25	nil	3
Downiebrae Hldgs.......fin	0.5	July 2	nil	0.5	nil
Fleming Univ Tst.......fin	2.2	-	2.2	2.8	2.8
Ptarmigan ....int	0.25	July 5	0.25	-	0.75‡‡
Slingsby (HC) ....fin	5.5	July 4	5.5	7.5	7.5
Summer ....int	0.5	July 31	0.5	-	1
Ulster TV ....fin	2.5	-	2.75	8.5☆	4.75
Walker (JO) ....fin	2	July 6	4.5	4	7.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡Makes 1.875p to date, and indicates at least 3.775p for year. ‡‡For 18 months. ★US currency throughout. ☆For 17 months.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
§125	F.P.	–	128	110	ABI Leisure 10p	113		R4.7	3.3	5.5	7.4
–	F.P.	–	206	194	Argos 10p	194	-2	L5.5	3.0	3.8	9.5
20	F.P.	–	28	20	‡Bioplan Hldgs. 1p	20xr	-3	–	–	–	–
–	F.P.	–	266	251	Courtaulds Textiles	251		W11.6	2.4	6.2	8.7
–	F.P.	–	4½	¼	Courtwell Group Wrrnts.	¼		–	–	–	–
‡	F.P.	–	148	120	F & C Germany Inv. Tst.	120	-2	–	–	–	–
–	F.P.	–	64	50	Do. Warrants	50	-1	–	–	–	–
–	F.P.	–	46	33	First Philipne. Inv. Tst.	34		–	–	–	–
–	F.P.	–	22	12	Do. Warrants	13	+1	–	–	–	–
–	F.P.	–	14	7	Fisher (Albert) Wrrts.	9	+1	–	–	–	–
100	F.P.	–	98	95	Fleming Euro Fledgling	95	-1	–	–	–	–
–	F.P.	–	40	23	Do. Warrants	38	-1	–	–	–	–
500	F.P.	–	98	96	French Property Tst.	97		–	–	–	–
500	F.P.	–	35	32	Do. Warrants	35		–	–	–	–
100	F.P.	–	94	92	Henderson Highland Tst.	92		K5.25	–	7.6	–
–	F.P.	–	28	25	Do. Warrants	25		–	–	–	–
$100	F.P.	–	£66	£63	Hungarian Investment 1c	£64		–	–	–	–
170	F.P.	–	63	57½	‡LEICA 5p	60	-2	–	–	–	–
†	F.P.	–	203	203	Northern Investors £1	203xr		Na8.0	1.0	5.3	–
§100	F.P.	–	108	105	OS Hldgs. 10p	105	-3	L3.75	2.1	4.8	11.6
§100	F.P.	–	99	95	Siam Select. Growth Tst.	99		–	–	–	–
–	F.P.	–	33	30	Do. Warrants	33		–	–	–	–
£$10.5	F.P.	–	641	565	South East Asian Wrrts1c	600	+20	–	–	–	–
§155	F.P.	–	158	150	Torday & Carlisle 5p	150		L6.25	2.1	5.6	8.2
–	F.P.	–	10	6	Trust of Prop Wrrnts	10		–	–	–	–
8½	F.P.	–	10	9	Venturi Inv Tst Geared 1p	10		–	–	–	–
34	F.P.	–	34	34	Do. Inc. 10p	34		K3.06	–	12.0	–
166½	F.P.	–	170	165	Do. Cap. Indexed 10p	170		–	–	–	–

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
20	Nil	–	8pm	1pm	‡Bioplan Hldgs. 1p	1pm	-2
400	Nil	–	45pm	40pm	‡Cramphorn 50p	40pm	-5
30	Nil	–	1½pm	½pm	Kingsgrange 10p	1pm	+½
104	Nil	–	13pm	2pm	Nestor-BNA 10p	2pm	-4
200	Nil	–	2pm	2pm	Northern Investors £1	2pm	
B165	Nil	–	25pm	10pm	‡Oliver Resources Units	13pm	-5

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¢ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. B Units comprising 11 new ord. & 2 warrants.

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	90	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	90	-5
-	F.P.	-	85p	5p	Courtwell Group 10¼pc (Net) Cv.Cm.Pf	8p	
100p	F.P.	-	99½p	96p	Hepworth Cap Fin. 11¼pc Cv. Bds 2005	96p	-1
‡100p	Nil	-	1¾pm	¼pm	Owners Abroad 9.75p (Net) Cv Pf 10p	¼pm	
100p	25p	-	31p	26p	Reckitt & Colman 9.5pc Cv Bds 2005	28½p	-½
150p	75p	-	87p	78p	T & N Non-Int. Brg. Uns. Ln.	84p	
100p	F.P.	-	100p	96p	Wyndham Group 9.375pc Cnv. Pf	100p	
-	F.P.	-	55p	38p	York Trust 8.5p (Net) Rd.Cv.Pf 20p	40p	

TRADITIONAL OPTIONS

- First Dealings April 17
- Last Dealings May 4
- Last Declarations July 19
- For settlement July 30

For rate indications see end of London Share Service

Calls in **Aviva Pet.**, **Control Securities**, **Next**, **Ivernia West**, **Tuskar Res.**, **McCarthy & Stone**, **Oliver Res.** and **Grootvlei**. Put in **Elders IXL** and **Blenheim Exhibitions**. Put and call in **Benjamin Priest**.

NEWS DIGEST

Grampian TV up 22% to £2.4m

GRAMPIAN TELEVISION announced a 22 per cent improvement in pre-tax profits, from £1.97m to £2.41m, for the year ended February 28.

The profit was struck after deduction of the exchequer levy of £260,000 (£357,000). Tax took £934,000 (£773,000). Earnings per ordinary and 'A' ordinary share were 10.31p (8.77p) and the dividend goes up from 3p to 3.5p with a proposed final of 2.8p.

Sir Douglas Hardie, chairman, said that a significant improvement in investment income – from £126,000 to £594,000 – arose from higher interest receivable resulting from improved cash balances following the sale for £1.3m of Grampian's interest in TV Times.

In addition, prior to the sale, it received from Independent Television Publications a dividend of £178,000 which was included in investment income.

Sir Douglas said there was a healthy increase in the hire of facilities to broadcasters, corporate video and independent producers last year but that many advertisers cut back in response to the national economic slowdown.

Grampian advertising revenue fell by just under 3 per cent and its share of national revenue declined.

Ulster TV achieves profits of £4.4m

Ulster Television, the IBA contractor for Northern Ireland, made pre-tax profits of £4.36m in the 17 months to December 31 1988. Previously released figures were profits of £2.19m for the 12 months to July 31 1988.

Turnover for the 17 months came to £37.09m (£22.21m for the previous year) with advertising revenue contributing £34.61m (£20.84m). Operating profit totalled £3m and investment income £1.28m. There was an extraordinary credit of £1.33m, mostly relating to profit from the sale of Ulster's investment in Independent Television Publications.

Earnings worked through at 25.84p per share (13.61p for 12 months) and the dividend for the 17 months is boosted to 8.5p (4.75p) with a proposed final of 2.5p.

Fleming Universal nav climbs to 276.7p

Over the six months to March 31 1990 the net asset value of Fleming Universal Investment Trust moved up a further 34.6p.

That meant that for its full 1989-90 financial year the growth was from 189.8p to 276.7p per share.

Earnings for the year fell from 3.42p to 2.4p. But the dividend is again 2.8p with an unchanged final of 2.2p.

Gross revenue was down £484,000 at £3.6m. Higher management expenses and interest charges exacerbated the trend, to leave the pre-tax profit off £1.05m at £2.29m.

American Plastics slips to $2.31m

American Plastics Technologies, the Ohio-based plastic injection moulder quoted on the USM, saw a fall in pre-tax profits from $2.62m to $2.31m (£1.42m) in 1989. Turnover improved from $27.77m to $33.14m.

Mr Mark Vaughan-Lee, chairman, said that current trading remained difficult, in that the outlook for the US was uncertain, particularly in the durable goods sector, the largest segment of the company's business.

Earnings came out at 13.8 cents (13.87 cents) and the dividend for the year is unchanged at 2.5 cents.

Leveraged Trust nav at 75.75p

Net asset value per share of Leveraged Opportunities Trust was 75.75p at March 31 1990. The shares were listed last August.

In the period August 10 1989 to March 31 1990 earnings came to 3.1p but were turned into a loss of 1.6p after an extraordinary debit of £353,000. That represented writing off the entire cost of issuing the unsecured loan stock.

Gross income was £409,000, and revenue £347,000 before tax of £114,000.

Profits at Clayton Son almost halved

Clayton Son & Co (Holdings), the manufacturer of bulk storage for the gas, oil, chemical and water industries, saw profits almost halved in the year to December 31 with a fall from £1.03m to £540,142 at the pre-tax level. Turnover was slightly up at £15.98m (£15.68m).

A warning that trade in the company's traditional markets was not going well was given in the October interim statement.

It also pointed out that the investment in Thermac Fuels should soon begin to generate profits.

After a higher proportionate tax charge of £221,273 (41 per cent) compared with £137,056 (13 per cent), earnings tumbled from 35.54p to 12.6p. However the total dividend goes up 1p to 11.5p with a proposed final of 9.3p (8.3p).

After the announcement the shares tumbled 22p to 238p although with a number of large holders, including Beauford with 25.1 per cent of the ordinary (11.3 per cent of total voting rights), the share price has a cushion.

ML Laboratories loss much reduced

ML Laboratories, a Third Market-traded company the main activity of which is the supply of dialysis solution for renal patients, reports a pre-tax loss of £11,000 for the year to September 30 last against a loss of £41,000 for a 14-month period.

The board said that the benefits of manufacturing in-house had exceeded expectations as the dialysis solution currently being produced clearly demonstrated a considerable improvement in performance which had been confirmed by recent tests on patients.

Investment income last year amounted to £543,000 (£129,000) but administration expenses jumped from £163,000 to £409,000, depreciation to £122,000 (£6,000), interest to £23,000 (£1,000) and there was a tax charge of £181,000 (£1,000).

Agreement reached on UB's Dutch buy

United Biscuits (Holdings) said agreement had been reached on terms of its £86m purchase of Verkade, the largest biscuits manufacturer in the Netherlands. Verkade's management board is recommending the Fl 400 per share offer announced on March 28.

UB also said Verkade's works council had given its support to the proposed deal and that discussions with trade unions had been favourably completed.

J Billam falls into losses in second half

J Billam, Sheffield-based precision engineer, fell into loss in the second half of 1989. After doubled interim taxable profits of £63,000 the full year result was £11,000, against £125,000.

Mr Leo Wright, chairman, who had warned of a difficult second half, said increased interest charges, administration costs and an exceptional item this time of £59,000 had resulted in a disappointing profit.

He added that administration costs were being vigorously attacked and should show significant savings in the present year.

Turnover for the year rose 25 per cent to £5.49m (£4.4m). Earnings per share were 0.4p (5.2p). An unchanged final dividend of 2.4p is being proposed for a same-again total of 4.04p.

Dutch group sets out cash terms for Horne

Buhrmann-Tetterode, the Dutch paper, packaging and office supplies group, has set out details of the partial cash alternative terms in its £154m bid for Robert Horne, the UK paper merchant.

Any shareholders taking this option will receive 0.24545 of a new Buhrmann-Tetterode share for each Robert Horne share owned, and 0.22641 of a new share for each Robert Horne "A" share owned. The value of new shares available to meet the partial cash alternative is limited to 30 per cent of the total offer value.

Lack of exceptional lifts Downiebrae

Downiebrae Holdings, the Glasgow-based steel profile and pipe flange manufacturer, achieved a substantial rise in pre-tax profits, from £54,323 to £542,890, in 1989.

However the 1988 figure was depressed by an exceptional debit of £380,148, relating to capital losses on trading of fixed income bonds together with legal and professional fees.

Turnover advanced fractionally to £1.48m (£1.41m) in spite of the downturn in activity in the engineering industry. The company attributed the rise to the modernisation and extension of the Bolton manufacturing facilities, completed in the period.

After tax of £156,027 (£40,276), earnings rose to 2.21p (0.08p) per share. The company has returned to the dividend list with the proposed payment of 0.5p for the year.

Ptarmigan soars to £263,000

Ptarmigan Holdings, engaged in the supply of food and food-related products and the operation of hotels, lifted pre-tax profits 85 per cent from £142,000 to £263,000 in the 26 weeks to December 31.

However, Mr Alan McClue, executive chairman since January, said that, in the light of "the unacceptable contribution being made by some of the group's businesses", a full review was being undertaken. The sea farm operations in the west of Scotland were sold in March for £700,000 and negotiations were underway to dispose of the remaining hatchery interests.

Gainsborough Flowers (Perth) had record sales and profitability and all the group's hotels traded well in the period. Mr McClue said that plans regarding "the constituent elements of the group and its management" could be expected to come to fruition in the next few months.

Turnover slipped to £3.06m (£3.51m) and earnings rose to 1.8p (1.4p) per share. The interim dividend is maintained at 0.25p.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound soft

US ECONOMIC news was generally within the range of most forecasts and had little impact on the dollar yesterday. First quarter US Gross National Product growth rebounded to an annualised rate of 2.1 per cent in the first quarter, from 1.1 per cent in the fourth quarter of last year, but this was slightly below market expectations of 2.4 per cent. On the other hand the first quarter GNP implicit price deflator - a measure of US inflation - rose at an annual rate of 5.7 per cent, compared with forecasts of 5.4 per cent. This was a sharp rise from the fourth quarter figure of 3.2 per cent, and was the largest gain for more than seven years.

The foreign exchanges showed little reaction to the news however, with the dollar weakening, despite speculation that inflationary pressure could lead to a tightening of the Federal Reserve's monetary stance.

At the London close the dollar had fallen to DM1.6755 from DM1.6820; to FFr5.6225 from FFr5.6400; and to SFr1.4560 from SFr1.4605, but was virtually unchanged against the Japanese yen at Y158.80, compared with Y158.70 on Thursday. On Bank of England figures the dollar's index rose to 68.4 from 68.2.

Sterling improved slightly against the dollar and yen, but maintained a bearish undertone, and lost ground to Continental currencies, including the D-Mark. Selling of the pound from the Far East unsettled the currency in early trading, and the market also began to show nerves ahead of a test for the ruling UK Conservative Party at local elections next Thursday. The latest opinion poll shows the opposition Labour Party 25 points ahead of the Conservatives.

The pound gained ¼ cent to $1.6365 and advanced to Y259.75 from Y259.25, but fell to DM2.7425 from DM2.7475; to FFr9.2000 from FFr9.2150; and to SFr2.3825 from SFr2.3875. According to the Bank of England sterling's index rose 0.1 to 86.7.

The D-Mark was slightly firmer within the EMS, after the recent decline of the West German currency allowed interest rate cuts by other European central banks. The Bank of France reduced rates on Thursday, and this was followed by Belgium and Denmark yesterday. The D-Mark, Danish krone, plus the French and Belgian francs remained closely grouped towards the bottom of the EMS yesterday. The Italian lira was strong, around its upper cross rate limit against the weaker members of the system. This was despite the lifting of all remaining Italian exchange controls, and a widening of the Italian trade deficit in March.

The D-Mark improved slightly to L733.05 from L732.90 against the lira and had also advanced slightly to FFr3.3550 from FFr3.3530.

£ IN NEW YORK

Apr.27	Latest	Previous Close
£ Spot	1.6380-1.6390	1.6335-1.6345
1 month	0.89-0.88pm	0.90-0.89pm
3 months	2.58-2.55pm	2.58-2.56pm
12 months	9.23-9.15pm	9.22-9.15pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr.27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6285-1.6375	1.6360-1.6370	0.89-0.87cpm	6.45	2.57-2.54pm	6.25
Ireland†	1.5910-1.5990	1.5990-1.6000	0.41-0.37cpm	2.94	1.23-1.13pm	2.98
Canada	1.1600-1.1660	1.1630-1.1640	0.47-0.50cdis	-5.00	1.38-1.43dis	-4.83
Netherlands	1.8820-1.8970	1.8845-1.8855	0.04-0.01cpm	0.16	0.06-0.03pm	0.10
Belgium	34.55-34.80	34.60-34.70	2.00-8.00cdis	-1.73	8.00-18.00dis	-1.50
Denmark	6.38-6.40¼	6.38½-6.39	1.10-1.40oredis	-2.34	2.90-3.60dis	-2.03
W. Germany	1.6730-1.6865	1.6750-1.6760	0.08-0.06pfpm	0.50	0.16-0.12pm	0.33
Portugal	148.90-149.10	149.00-149.10	75-85cdis	-6.44	270-285dis	-7.44

POUND SPOT- FORWARD AGAINST THE POUND

EMS EUROPEAN CURRENCY UNIT RATES

CURRENCY RATES

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

F Fr.	1.067	1.779	2.982	282.4	10.
S Fr.	0.420	0.687	1.151	109.0	3.861
H Fl.	0.324	0.531	0.889	84.21	2.982
Lira	0.498	0.814	1.365	129.3	4.577
C $	0.525	0.860	1.441	136.4	4.832
B Fr.	1.764	2.887	4.838	458.2	16.23

Yen per 1,000: French Fr. per 10; Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6365	1.6277	1.6110	1.5868	1.5455
D-mark	2.7425	2.7251	2.6975	2.6566	2.5868
French Fr.	9.2000	9.1545	9.0780	9.1761	8.7465
Swiss Fr.	2.3825	2.3711	2.3481	2.3135	2.2489
Yen	259.75	257.94	254.78	250.13	241.30

MONEY MARKETS

European rates ease

INTEREST RATES have declined in Europe this week, with the Bank of France cutting official rates on Thursday, followed by Belgium and Denmark yesterday. This has become possible because of a weakening of the D-Mark against its partners in the EMS, but the situation might be short-lived according to Mr Markus Lusser, president of the Swiss National Bank. He told the central bank's annual shareholders meeting that German monetary union could force interest rates to rise around the world, or at least in Europe.

UK clearing bank base lending rate 15 per cent from October 5

The Belgian National Bank cut its three-month Treasury bill rate - the main instrument of monetary policy - by 0.15 per cent to 10.05 per cent. One-month and two-month bill rates were also reduced by 0.15 per cent to 9.85 per cent and 9.95 per cent respectively.

Denmark's central bank cut its two most important rates by 0.5 per cent, with loans to financial institutions coming down to 11 per cent, and the rate on deposits to 10 per cent.

In London interest rates were steady. Three-month interbank was unchanged at 15⅛-15¼ per cent and 12-month at 15⅝-15⅛ per cent. On Liffe September short sterling futures eased to 84.65 from 84.67.

Day-to-day credit was in short supply on the London money market. The Bank of England initially forecast a shortage of £1,100m, but revised this to £1,200m in the afternoon. Total help of £976m was provided.

An early round of assistance was offered and at that time the authorities bought £464m bills, including £193m bills outright, by way of £15m Treasury bills and £178m bank bills in band 2 at 14¾ per cent. Another £271m bills were purchased for resale to the market on May 8 at 14⅞ per cent.

In further operations before lunch the Bank of England bought £448m bills outright, via £257m bank bills in band 1 at 14¾ per cent and £191m bank bills in band 2 at 14¾ per cent. During the afternoon another £54m band 2 bank bills were purchased at 14¾ per cent and late assistance of £10m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £628m, with Exchequer transactions absorbing £45m and a rise in the note circulation £475m. These outweighed bank balances above target of £30m.

FINANCIAL FUTURES AND OPTIONS

CAC-40 FUTURES (MATIF) Stock index

	Open	Close	Change	High	Low	Open int.
April	2080.0	2061.0	-13.0	2084.0	2052.0	4,148
May	2090.0	2068.0	-16.0	2091.0	2060.0	2,991
June	2083.0	2070.0	-14.0	2092.0	2070.0	336
September	-	-	-	-	-	10

Estimated volume 7,178 Total Open Interest 7,485

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BANK RETURN

BANKING DEPARTMENT	Wednesday April 25, 1990		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	54,646,986	+	1,338,193
Bankers Deposits	1,778,109,545	-	10,891,902
Reserve and other Accounts	1,766,379,825	-	139,256,507
	3,613,689,356	-	148,810,216
ASSETS			
Government Securities	1,177,143,144	-	111,331,581
Advance and other Accounts	759,786,087	+	252,430,681
Premises Equipment & other Secs	1,[illegible]	-	286,481,598
Notes	8,563,746	-	3,417,809
Coin	192,869	-	9,919
	3,613,589,356	-	148,810,216
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,431,436,254	-	806,582,191
Notes in Banking Department	8,563,746	-	3,417,809
	15,440,000,000	-	510,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	11,488,344,401	-	1,078,508,256
Other Securities	3,940,640,499	+	568,508,256
	15,440,000,000	-	510,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Dunbar Bank PLC	15	[illegible]	15
● Henry Ansbacher	15	Duncan Lawrie	15	Provincial Bank PLC	16
Associates Cap Corp	15½	Equatorial Bank plc	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	First National Bank Plc	16½	● Smith & Williamson Secs	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	Standard Chartered	15
Bank Credit & Comm	15	Robert Fraser & Ptnrs	15½	TSB	15
Bank of Cyprus	15	Girobank	15	● United Bk of Kuwait	15
Bank of Ireland	15	● Guinness Mahon	15	United Mizrahi Bank	15
Bank of India	15	HFC Bank plc	15	Unity Trust Bank Plc	15
Bank of Scotland	15	● Hambros Bank	15	Western Trust	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Westpac Bank Corp.	15
Barclays Bank	15	Heritable & Gen Inv Bnk	15	Whiteaway Laidlaw	15
Beachmark Bank PLC	15	● Hill Samuel	§15	Yorkshire Bank	15
Brit Bk of Mid East	15	C. Hoare & Co.	15		
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk N East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

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SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	295	Ass. Brit. Ind. Ordinary	320	0	10.3	3.2	8.6
38	19	Armitage and Rhodes	23	0	-	-	-
210	149	Bardon Group (SE)	140xd	0	4.3	3.1	13.6
125	102	Bardon Group Cv Pref (SE)	99xd	0	6.7	6.8	-
123	74	Bray Technologies	80	0	5.9	7.4	7.1
110	82	Bremhill Conv. Pref	82	0	11.0	13.4	-
315	285	CCL Group Ordinary	311	0	14.7	4.7	3.8
176	165	CCL Group 11% Conv.Pref	166	0	14.7	8.9	-
225	140	Carbo Plc (SE)	210xd	0	7.6	3.6	12.4
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	0.125	*Magnet Gp Non-VotingA Cnv	0.125	0	-	-	-
5	0.125	*Magnet Gp Non-VotingB Cnv	0.125	0	-	-	-
130	88	Isis Group	88	0	8.0	9.1	5.0
145	58	Jackson Group (SE)	108	0	3.6	3.3	12.6
322	243	Multihouse NV (AmstSE)	295	0	-	-	-
158	98	Robert Jenkins	137	0	10.0	7.3	5.0
467	360	Scruttons	360	0	18.7	5.2	9.6
160	106	Unistrut Europe Conv Pref	155	0	9.3	6.0	-
395	265	Veterinary Drug Co. PLC	266	0	22.0	8.3	7.1
370	278	W.S Yeates	330	0	16.2	4.9	27.3

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Stora in DM4bn W German deal

By Robert Taylor in Stockholm and Maggie Urry in London

STORA, Europe's biggest pulp and paper group, has acquired the West German industrial group Feldmühle Nobel for DM4bn ($2.4bn) in what the Swedish-based company claims to be one of the largest acquisition transactions ever undertaken in Europe.

The combined company will be the fourth largest in the world pulp and paper industry. It is another example of the trend for companies to combine and form larger and more international groupings.

Stora said yesterday its acquisition of Feldmühle Nobel was motivated by its determination to strengthen its position within the EC. Earlier this month Stora joined with Kymmene of Finland to make a joint offer for Chappelle Darblay, France's leading newsprint and magazine paper producer. That move was also inspired by Stora's desire to become stronger in the EC.

Stora said there were wider pressures in the world forestry industry to create larger and more effective industrial structures to reap the benefits of more efficient distribution networks and stronger market positions.

Under the agreement Stora will acquire 60 per cent of the shares in Feldmühle Nobel in alliance with Patricia, a subsidiary of the Wallenberg-owned Investor and Providentia finance companies which will purchase 24.9 per cent of the share capital. It plans to make an offer to acquire the remaining 15 per cent of the shares in Feldmühle Nobel.

The West German company is the largest paper and paperboard producer in the EC with annual production capacity of 2.5m tons and reported sales of DM9.5bn in 1989.

Its forestry operations account for around half its sales. Feldmühle Nobel is also involved in explosives, defence material and ammunition, plastic processing and products and the manufacture of heating equipment, steel building materials, stainless steel products and kitchen ware.

Mr Bo Berggren, Stora's chief executive, said the two companies had been co-operating for more than 20 years, pointing to their collaboration at Hylte Bruk, one of the world's leading newsprint mills.

Since 1980 the two companies have also operated a jointly-owned sulphate pulp mill in Norrsundet and have worked together in marketing activities in eastern Europe.

Mr Berggren said the merger was "natural." It will give Stora a world-leading position in printing paper production with an annual capacity of 3.5m tons and create a fine papers group with an annual capacity of 1.1m tons.

While Stora is a leading pulp seller from its mills in Sweden, Portugal and Canada, Feldmühle's paper and paperboard units are Europe's largest pulp buyers.

The West German company is the world's largest producer of lightweight coated (LWC) magazine paper and newsprint, while Stora lacks LWC capacity but produces substantial amounts of newsprint.

Warning of heavy losses for Saab Auto

By Rober Taylor in Stockholm

SAAB Automobile, the jointly owned company established by General Motors and Saab-Scania last December, is expected to make heavy losses for some time to come, Mr Georg Karnsund, Saab-Scania's president and chief executive officer warned yesterday.

His gloomy forecast contrasts with the determination of Mr David Herman, the new company's chief executive, who earlier in the year hoped to see the cars business back in profit by the end of 1991.

At the annual shareholders meeting Mr Karnsund said that "only a combination of hardheaded rationalisation, more effective utilisation of existing production capacity as well as an increase in the sales volume can change the red figures into black."

Mr Karnsund's pessimism is borne out by the selective revelation of some of Saab Automobile's results yesterday for the first quarter of 1990, which revealed a 15 per cent drop in retail sales to 24,700 from 29,200 for the same period of last year.

He said that he was gloomy about the prospects for the car market for the whole of the year, arguing that the price war in the US was now spreading to Europe. Mr Karnsund also said that the reduced volume was also due to the rapid rise in costs in Sweden, the high rates of interest and changes in exchange rates.

The Saab-Scania chairman also revealed that overall sales in the company had risen by 14 per cent in the January to March period to SKr7.4bn ($1.2bn) from SKr6.5bn. He added that this was mainly due to a marked improvement in the performance of the company's aircraft division where sales have risen to SKr1bn from SKr650m in the first quarter of 1989, mainly due to the success of the Saab 340 aircraft, of which 310 have been sold and 183 delivered.

Firm orders for the Saab 2000 amount to 41 aircraft in addition to 101 options. The total order value for the two aircraft is SKr9bn.

Sales of trucks, buses, and engines in the Scania division increased by 9 per cent in the first quarter of the year to SKr6bn from SKr5.5bn but the number of invoiced sales fell by 3.5 per cent per cent to 8,300 from 8,600.

Mr Karnsund predicted that profits for the whole year would increase "considerably" over the 1989 figure. In addition he said there would be a capital gain of SKr1.7bn as a result of the sales of shares in Saab Automobile.

Citicorp dismisses S&P's downgrading of $30bn debt

By Alan Friedman in New York

CITICORP, the biggest US banking group, yesterday tried to shrug off a significant dent to its prestige – the downgrading by Standard & Poor's of $30bn of all long-term and most short-term debt.

The lowering of Citicorp's rating, which the bank says will not affect its funding, is another sign of rising concern in the US about expected 1990 real estate loan losses.

The S&P downgrade caused a stir in the US banking industry yesterday because it comes a week after Moody's, the other leading rating agency, placed Citicorp on its watch-list for a lowering. S&P left Citicorp's A1 plus rating on commercial paper untouched, but reduced most senior debt to AA minus from AA.

The downgrade, dismissed by Citicorp as "a non-event in the market," reflects S&P's concern that the bank's capital ratio is too low at around 3.6 per cent; the industry norm is around 4 per cent.

S&P said that while Citicorp had successfully navigated its way through the Third World debt problem, the bank is "in a weakened condition to confront deteriorating loan quality" in other portfolios, particularly in real estate and leveraged buy-out loans. The rating agency also said Citicorp's reserve cushion is much lower than at competitor banks.

Citicorp's non-performing commercial loans amount to $3.3bn out of a total commercial portfolio of $66.1bn. Non-performing real estate loans equal $1.3bn of the bank's $12.6bn portfolio, which makes Citicorp the largest commercial property lender in the US.

The bank's non-performing LBO loans are believed to amount to around $700m of a total of $7.9bn. Non-performing Third World loans were $4.2bn of the total $8.4bn of such loans at the end of last month while reserves in this category, which were boosted by $1bn last year, totalled $3.1bn at the end of last month.

Mr John Reed, Citicorp chairman, has warned that real estate write-offs and reserves will increase this year. But Ms Nancy Newcomb, the Citicorp senior officer in charge of funding, yesterday tried to play down the lowered credit rating.

She said Citicorp derives 60 per cent of its funds from deposits and that long-term debt represents only 1 per cent of the bank's funding. She stressed that the bank aims to increase its capital ratio to the 4 per cent to 4½ per cent range through retained earnings, the sale of non-strategic businesses and asset management.

UNION BANK of Switzerland, the country's biggest bank, reported yesterday the earnings trend in the parent bank had been less favourable than expected in the first quarter, writes William Dullforce in Geneva.

Results for the group had fallen short of those reached in the first three months of the previous year.

Swiss Bank Corporation, the second biggest bank in Switzerland, said yesterday that its operating results in the first quarter, while "satisfactory per se", had seen an appreciable whittling down.

Neither bank gave figures.

Olivetti falls despite rise in sales

By Haig Simonian in Milan

OLIVETTI, the Italian computers and office equipment group, unveiled net profits for 1989 which fell by 43.1 per cent to L202.8bn ($163m), from L356.2bn in 1988.

The drop came in spite of a 7.4 per cent climb in sales to L9,031bn from L8,407bn the previous year, and was broadly in line with warnings by the company in February.

However, the cut in the dividend, although also widely forecast, was sharper than some analysts expected, with a drop to L270 from L340 for Olivetti's ordinary and preferred shares and to L290 from L360 for the savings shares.

The company ascribed the fall largely to the chronic weakening of the computer market last year, which saw sharp declines in profitability at several manufacturers, and to the costs of its own reorganisation, all of which were charged to the 1989 accounts.

Prospects for 1990 appear more promising, according to Mr Carlo De Benedetti, Olivetti's chairman. "Revenue performance and especially orders in the first quarter, which showed increases of 8.7 per cent and 21.3 per cent respectively, suggest a possible upturn of the market and, therefore, a better outlook for the current year.

Mr De Benedetti added that underlying profits performance last year remained stable, despite the much more difficult circumstances.

Operating earnings amounted to L382.3bn, against L406bn in 1988. The sharp rise in net indebtedness to L406.0bn in 1989 from L156.7bn, largely to fund acquisitions, also took its toll on net profits.

US defence groups lay off staff

By Karen Zagor in New York

THE thaw in the Cold War is taking its toll on US industry, where two big military suppliers are laying off a large number of their aerospace workers in line with the shrinking US defence budget.

GE Aerospace, a subsidiary of General Electric, yesterday said it would cut its workforce by 4,200 over the next 2½ years, with about half of the jobs lost coming from attrition and retirements. GE Aerospace employs about 40,000 people.

General Electric said an additional 870 jobs will be cut from its 6,000 workforce in Syracuse New York because of declining military spending.

Lockheed, which relies on the Government for about 85 per cent of its sales, will lay off about 2,750 employees from a total of 22,900 by the end of June. The company's aerospace division has already pared its workforce by about 5,000.

Mr Jon Rittenhouse, senior vice president at GE Aerospace, said: "We're entering a decade that will provide a difficult challenge for defence companies. The world's changing political outlook will result in a smaller, more intensely competitive worldwide defence market.

"In this difficult environment, only the most efficient, highest quality manufacturers will survive and win."

The news had little impact on Wall Street, where cutbacks in aerospace have been widely anticipated. The Standard & Poor's Aerospace index closed at 365.83 on Thursday, down 3.1 per cent from the previous week but 5 per cent higher than its 348.6 close on November 20, when the US defence secretary, Mr Richard Cheney, said the Pentagon spending would be sharply lower in the first half of the 1990s.

Of the individual shares, both General Electric and Lockheed were unchanged from Thursday's close, at $64¾ and $32¾ respectively, at midday on the New York Stock Exchange.

On the civil aviation front, McDonnell Douglas plans to cut about 3,000 jobs or 6 per cent of its workers. Shares in the company dropped $2¾ to $49 yesterday on the New York Stock Exchange.

French concern on Volvo deal

By William Dawkins in Paris and Kevin Done in London

MR ROGER FAUROUX, the French Industry Minister, yesterday made an emergency statement to the French Parliament to quell concern over the negotiations between Mitsubishi Motors of Japan and Volvo of Sweden on possible joint car production in the Netherlands.

Renault, the French state-owned car and truck maker has recently announced plans to enter into a far-reaching alliance with Volvo including the exchange of substantial minority equity stakes.

Mr Fauroux's statement came after a telephone call in which he sought an explanation from Mr Pehr Gyllenhammar, Volvo's chairman, about its negotiations with Mitsubishi, disclosed on Thursday. The French Industry Minister said that any accord between Volvo and Mitsubishi would have to be cleared by Renault, under the terms of its accord with the Swedish car and truck maker.

He told a worried Parliament, in the middle of a sensitive debate on government plans to scrap Renault's state-guaranteed privileges, that the Swedish and Japanese car makers were discussing "the production of a modest number of vehicles at Volvo's Dutch offshoot."

If there were to be a deal, Japanese components would not exceed 20 per cent of the content of the vehicles concerned, he added. This was not "Japanese infiltration," rather "the sensible use of foreign components in a European vehicle," said Mr Fauroux.

Disclosure of the talks has created a stir in France, reflecting anxiety about competition from the Japanese car industry following the expected abolition of European Community internal trade barriers in 1992. An estimated 10 per cent of the French workforce is employed directly and indirectly by the car industry.

Mr Pehr Gyllenhammar also sought yesterday to defuse the controversy over the Mitsubishi talks. In a statement issued in Gothenburg he said: "No agreement has been made between Mitsubishi and Volvo. No discussions will be carried out between Volvo and other car manufacturers without first informing Renault's directors and receiving their consent.

"Naturally no future contracts will be entered into without mutual agreement between Volvo and Renault."

Renault said that Volvo had not concealed the fact that it was in discussions with several companies, in an industry where big car makers were in any case talking to each other most of the time.

Wang loses $147m in quarter

By Louise Kehoe in San Francisco

WANG Laboratories, the US office computer manufacturer, reported heavy losses for the third quarter to March 31, including charges resulting from a restructuring and debt reduction programmes.

The net loss for the quarter was $146.6m, or 89 cents per share, far exceeding analysts' projections.

Operating losses for the quarter were $90.9m. In the third quarter of fiscal 1989 Wang registered net losses of $63.7m or 39 cents.

Revenues from continuing operations totalled $583.1m for the third quarter, compared with a restated $721.4m last year.

For the nine months the net loss was $219.2m, against a restated net loss of $49.9m for the previous year. Revenues for the nine months fell to $1.8bn, from $2.1bn a year ago.

Wang said a significant portion of its third quarter losses resulted from charges associated with the sale of its international lease and finance business to GE Capital.

"While we were required to record a non-recurring loss of $55.7m related to the sales of assets in the third quarter, these sales will generate $285m in cash, which will enable the company to reduce bank debt from $575m in August 1989 to approximately $65m – well ahead of our original schedule," said Mr Richard Miller, who was appointed chairman of the company last month following the death of company founder Dr An Wang.

Sun Microsystems sharply up

By Louise Kehoe

SUN Microsystems, the leading manufacturer of computer workstations, reported much higher than anticipated earnings for its third fiscal quarter as the company returned to a rapid growth rate.

Net income for the quarter was $36.7m, or 40 cents per share, up from $31m or 38 cents in the same period a year ago.

Revenues rose by 27 per cent to $632.2m from $497.4m in the third quarter of fiscal 1989.

Almost 95 per cent of hardware revenues were derived from sales of products introduced over the past year, the company said.

For the first nine months of fiscal 1990, Sun reported net income of $62.1m or 70 cents, compared with $81.1m or $1.00 the previous year. Revenues of $1.77bn were up 32 per cent over $1.33bn last time.

The drop in earnings for the nine-month period reflects the company's disappointing first quarter results as it recovered from problems with its internal management information systems.

Sun said that like other computer companies it was seeing slowing growth in the US market. "US sales revenues in the third quarter declined slightly from the prior quarter due largely to product transition issues. US-based bookings still increased over the second quarter and ran well above year-ago levels," said Mr Scott McNealy, president and chief executive.

"Looking ahead we anticipate modest growth, at best, in the US market in the fourth quarter. Meanwhile a record 53 per cent of our third-quarter revenues were derived from markets outside the US. Europe, in particular, was a bright spot for us, accounting for a record 31 per cent of total revenues."

Sun expects to begin shipments from its new manufacturing plant in Scotland in the current quarter, the company said.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1990	Low 1990
Gold per troy oz.	$370.5	-4.75	$378.25	$420.25	$366.00
Silver Per troy oz	303.90p	-5.25	344.05p	323.50p	302.15p
Aluminium 99.7% (cash)	$1505	-15	$2292.5	$1655	$1380.0
Copper Grade A (cash)	£1625.5	+44.5	£1809	£1701	£1304.50
Lead(cash)	£486	-10	£369.5	£790	£413.0
Nickel (cash)	$9100	+275	$15150	$10225	$6075
Zinc SHG (cash)	$1757.5	+125	$1677.5	$1772.5	$1250
Tin (cash)	$6420	-125	£10725	$7020	$6150
Cocoa Futures (Jul)	£846	-48	£744	£894	£822
Coffee Futures (Jul)	£672	-20	£1109	£757	£557
Sugar (LDP Raw)	$385	+19.8	$299	$388.4	$320.0
Barley Futures (Sep)	£109.15	+3.25	£102.90	£113.85	£103.45
Wheat Futures (Jun)	£118.75	+1.75	£118.4	£119.60	£111.00
Cotton Outlook A Index	84.10c	+1.35	74.65c	84.10c	73.70c
Wool (64s Super)	562p		620p	580p	548p
Oil (Brent Blend)	$17.225z	+0.10	$19.25	$21.975	$17.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. z-June

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.70-4.80x	+0.08
Brent Blend	$17.20-7.25x	-0.05
W.T.I. (1 pm est)	$18.60-8.64x	-0.11
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$214-216	-1
Gas Oil	$160-161	-2
Heavy Fuel Oil	$83-84	+1.5
Naphtha	$159-161	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$370.5	-2.0
Silver (per troy oz)♣	495c	-2
Platinum (per troy oz)	$473.5	-0.5
Palladium (per troy oz)	$122.95	-0.3
Aluminium (free market)	$1505	-15
Copper (US Producer)	135.5c	+0.25
Lead (US Producer)	45c	
Nickel (free market)	420c	-10
Tin (Kuala Lumpur market)	17.21r	
Tin (New York)	295c	-4
Zinc (US Prime Western)	83.50c	
Cattle (live weight)†	110.97p	-1.17*
Sheep (dead weight)†	232.14p	-10.7*
Pigs (live weight)†	107.78p	+5.87*
London daily sugar (raw)	$385.0t	+8.4
London daily sugar (white)	$463.5t	+7.5
Tate and Lyle export price	£352.0	+6.5
Barley (English feed)	£108.5	+0.75
Maize (US No. 3 yellow)	£138t	
Wheat (US Dark Northern)	£118.25y	
Rubber (Jun)♥	57.25p	+0.25
Rubber (Jul)♥	57.75p	+0.25
Rubber (KL RSS No 1 May)	228.5m	-1.0
Coconut oil (Philippines)§	$357.5v	
Palm Oil (Malaysian)§	$265y	
Copra (Philippines)§	$230y	
Soyabeans (US)	£173u	
Cotton "A" index	84.10c	+0.40
Wooltops (64s Super)	562p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Jun. t-May/Jun. u-Apr/Aug. v-May/Jul. w-Apr/May. z-Jun/Jul y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)			
Raw	Close	Previous	High/Low
May	351.60	348.00	353.40 349.80
Aug	360.80	355.80	360.80 358.00
Oct	354.60	350.80	355.60 353.00
Dec	340.40	335.00	337.00
Mar	328.40	325.00	329.00 328.00
May	326.60	323.00	326.00 325.00
Aug	325.60		324.00
White	Close	Previous	High/Low
Aug	454.0	449.5	455.5 450.0
Oct	417.0	413.0	418.0 413.0
Dec	407.0	404.0	407.0 404.0
Mar	403.0	401.5	404.0 401.0
May	401.0	400.0	402.0 400.5
Aug	399.0	397.5	397.0 395.5
Oct	388.0	386.5	387.0 385.5

Turnover: Raw 5430 (5458)lots of 50 tonnes. White 1177 (1019)
Paris- White (FFr per tonne): Aug 2550, Oct 2390, Dec 2310, Mar 2285, May 2285

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low
Jun	17.15	17.28	17.26 16.97
Jul	17.64	17.60	17.62 17.38
Aug	17.75	17.79	17.74 17.66
IPE Index	17.25	17.25	

Turnover: 2578 (7186)

GAS OIL – IPE ($/tonne)	Latest	Previous	High/Low
May	157.25	157.00	157.25 155.25
Jun	153.25	153.25	153.50 151.75
Jul	153.00	152.75	152.75 151.00
Aug	155.00	154.50	154.00 153.25
Sep	157.00	156.50	157.00 155.00
Oct	158.00	158.75	157.50 156.75
Nov	160.00	160.75	159.00 158.50
Dec	161.25	162.50	160.25 158.25
Jan	160.75	161.50	159.75 158.00

Turnover 5321 (4945)lots of 100 tonnes

SPICES
The spices market is quiet, due to limited demand from grinders, reports Man-produkten. Far East markets are closed because of holidays. Some European interest for pimento from Mexico and Guatemala; spot Rotterdam traded at US$2050/2100. Cassia market dull due to uncertainty whether cassia trade will be liberalised or not by the Indonesian government. Decision will probably be taken during next month. Spot prices unchanged/steady. Future delivery prices under pressure. Nutmegs and mace: further price declines are still possible. Cloves: Brazil pressing for sales at $2150 fob.

COCOA – London FOX (£/tonne)	Close	Previous	High/Low
May	829	840	835 825
Jul	846	851	853 843
Sep	862	869	869 858
Dec	881	885	886 878
Mar	899	902	907 897
May	914	918	923 913
Jul	926	934	933 925

Turnover: 6500 (6812) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 26 1023.54 (1018.96) 10 day average for Apr 27 1046.99 (1051.05)

COFFEE – London FOX (£/tonne)	Close	Previous	High/Low
May	661	670	677 658
Jul	672	670	685 668
Sep	681	685	690 679
Nov	695	701	703 693
Jan	706	713	715 704
Mar	721	726	726 712
May	735	739	740 731

Turnover: 9120 (4529) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 26: Comp. daily 73.55 (73.96). 15 day average 75.38 (75.91)

POTATOES – IPE (£/tonne)	Close	Previous	High/Low
May	243.0	241.0	242.0 232.0
Nov	117.5		118.0
Apr	180.0	171.0	179.0 173.0

Turnover 196 (223) lots of 40 tonnes.

SOYABEAN MEAL – IPE (£/tonne)	Close	Previous	High/Low
Aug	130.00	128.00	130.00 129.00
Oct	133.50	130.50	133.50 132.00

Turnover 72 (96) lots of 20 tonnes.

FREIGHT FUTURES – IPE ($10/index point)	Close	Previous	High/Low
May	1270	1270	1270 1245
Jul	1085	1090	1099 1070
Oct	1200	1185	1201 1170
Jan	1230	1215	1235 1225
Jul	1145		1145
BFI	1373	1379	

Turnover 408 (696)

GRAINS – IPE (£/tonne)			
Wheat	Close	Previous	High/Low
May	116.80	116.30	117.20 116.80
Jun	118.75	116.50	119.50 118.75
Sep	110.95	109.15	111.15 110.95
Nov	114.00	112.35	114.35 113.80
Jan	117.30	115.70	117.70 117.50
Mar	120.90	119.15	121.10 120.90
May	123.90	122.15	123.95
Barley	Close	Previous	High/Low
May	104.40	103.50	104.05 104.00
Sep	109.15	107.25	109.25
Nov	113.15	111.25	113.25 113.15
Jan	116.25	114.30	116.35 116.30
Mar	118.75	116.90	118.75
May	119.80	118.20	120.00

Turnover: Wheat 590 (355). Barley 349 (120). Turnover lots of 100 tonnes.

PIGS – IPE (Cash Settlement) p/kg	Close	Previous	High/Low
Jun	126.2		126.0 125.0
Aug	119.6		119.0 117.5
Oct	121.0	124.5	120.0
Nov	120.5		120.0
Feb	111.0		111.0

Turnover 126 (8) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 10,700 tonne
Cash	1503-7	1510-2	1509/1509	1509-10		
3 months	1522-4	1528-30	1535/1518	1525-6	1529-30	44,044 lots
Copper, Grade A (£ per tonne)						Ring turnover 48,300 tonne
Cash	1624.5-5.5	1658-62	1630/1625	1623-5		
3 months	1540-1	1554-5	1572/1536	1542-4	1541-2	76,468 lots
Lead (£ per tonne)						Ring turnover 5,650 tonne
Cash	485-7	485-6	489/487	494-5		
3 months	487-8	495-7	495/485	495-7	495-90	10,573 lots
Nickel ($ per tonne)						Ring turnover 1,536 tonne
Cash	9075-125	9150-250	9125/9100	9100-50		
3 months	8775-800	8900-50	8850/8775	8850-70	8775-800	7,395 lots
Tin ($ per tonne)						Ring turnover 465 tonne
Cash	6410-30	6335-60		6365-95		
3 months	6520-30	6450-60	6520/6475	6490-500	6520-50	6,546 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 11,325 tonne
Cash	1756-60	1745-6	1760	1760-5		
3 months	1666-70	1650-2	1690/1660	1694-5	1678-80	18,098 lots

LME Closing £/$ rate: SPOT: 1.6580 3 months: 1.6134 6 months: 1.5910 9 months: 1.5680

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	370¼-370¾	226¼-226¾
Opening	371-371½	227½-228
Morning fix	371.40	227.392
Afternoon fix	371.60	227.376
Day's high	371¾-372¼	
Day's low	370-370½	
Coins	**$ price**	**£ equivalent**
Maple leaf	379-384	232-235
Britannia	379-384	232-235
US Eagle	379-384	232-235
Angel	379-384	232-235
Krugerrand	369-372	225½-227½
New Sov.	87½-89½	53½-55
Old Sov.	87½-89½	53½-55
Noble Plat	478.25-485.90	291.40-296.05
Silver fix	**p/fine oz**	**US cts equiv**
Spot	303.90	496.00
3 months	315.45	508.75
6 months	327.60	518.45
12 months	351.55	541.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
1400	111	131	1	11
1500	21	62	9	41
1600	1	23	881	99
Copper (Grade A)	**Calls**		**Puts**	
2400	272	180	2	62
2550	139	84	10	133
2700	40	38	76	235
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
650	46	67	25	37
700	24	49	53	63
750	12	28	91	98
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
800	66	91	20	29
850	39	63	43	51
900	21	43	75	81
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1700			27	44
1750	15			85
1800	6	37		

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
May	372.0	370.9	0	0
Jun	373.0	373.3	374.9	372.6
Aug	376.1	376.2	379.3	376.1
Dec	388.1	388.2	389.5	388.1
Jun	404.6	405.5	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Jul	474.7	473.9	475.9	474.9
Oct	481.5	480.3	481.7	481.0
Jan	487.5	486.7	488.1	487.5
Jul	498.4	512.0	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
May	492.0	481.4	494.0	491.5
Jun	497.4	485.4	498.0	498.0
Jul	500.6	489.6	502.0	500.0
Sep	509.5	508.2	511.0	509.0
Dec	522.0	520.2	523.0	520.0
Mar	535.0	532.0	536.0	536.0
Jul	550.8	548.8	0	0
Sep	559.8	557.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
May	118.00	120.00	119.20	117.70
Jul	109.50	112.10	111.00	109.30
Sep	105.50	108.10	107.20	106.30
Dec	103.00	104.30	104.00	102.70

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Jun	18.48	18.47	18.51	18.35
Jul	19.09	19.05	19.12	18.95
Aug	19.42	19.44	19.45	19.32
Sep	19.67	19.66	19.69	19.55
Oct	19.85	19.84	19.85	19.84
Nov	19.88	19.87	19.88	19.75
Dec	19.84	19.88	19.84	19.74
Feb	19.77	19.85	19.77	19.72
Mar	19.76	19.84	19.76	19.76

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Jul	5095	5067	5075	5020
Aug	5155	5140	5165	5115
Sep	5305	5290	5315	5270
Oct	5400	5376	5400	5360
Nov	5480	5462	5480	5465
Dec	5577	5546	5577	5605
Feb	5580	5523	5580	5530

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
May	1245	1249	1257	1242
Jul	1265	1260	1275	1253
Sep	1294	1279	1295	1272
Dec	1303	1298	1315	1295
Mar	1316	1314	1316	1312
May	1366	1380	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
May	92.60	92.74	93.35	92.00
Jul	93.65	94.45	94.80	93.50
Sep	95.70	96.15	96.20	95.30
Dec	98.00	98.34	99.05	97.80
Mar	99.75	100.30	0	99.75
May	102.50	102.15	0	0
Jul	104.50	104.25	0	0
Sep	106.50	106.10	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
May	15.95	15.78	16.06	15.82
Jul	16.01	15.83	16.06	15.88
Oct	15.86	15.72	15.90	15.65
Mar	14.97	14.81	15.00	14.85
Jul	14.70	14.48	14.70	14.70

COTTON 50,000; cents/lbs	Latest	Previous	High/Low	
May	74.85	74.87	75.00	74.85
Jul	74.70	74.90	75.15	74.67
Oct	69.45	69.30	69.50	69.40
Dec	66.75	66.77	66.95	66.75
Mar	67.75	67.58	67.75	67.67
May	67.95	67.90	67.95	67.90
Jul	67.75	67.80	67.75	67.75

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
May	194.20	194.20	194.50	194.00
Jul	193.60	193.45	194.35	193.50
Sep	189.75	187.60	189.90	188.00
Nov	181.75	181.20	0	0
Jan	176.00	174.25	176.00	175.00
Mar	172.60	173.60	0	0
May	174.50	173.25	0	0
Jul	174.60	173.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Apr 27	Apr 26	mnth ago	yr ago
1936.7	1932.3	1912.0	2025.4

DOW JONES (Base: Dec. 31 1974 = 100)	Apr 26	Apr 25	mnth ago	yr ago
Spot	136.26	135.32	131.79	137.63
Futures	134.11	133.37	131.74	138.14

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
May	635/0	628/2	639/0	622/0
Jul	651/0	642/4	658/0	636/0
Aug	656/2	649/4	661/0	644/4
Sep	657/6	647/6	661/0	644/0
Nov	661/4	652/0	667/0	646/0
Jan	672/2	661/4	678/0	658/4
Mar	681/4	674/0	685/0	670/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
May	23.72	23.69	23.80	23.47
Jul	23.92	23.90	23.96	23.66
Aug	23.83	23.83	23.84	23.62
Sep	23.61	23.68	23.66	23.46
Oct	23.42	23.42	23.46	23.22
Dec	23.20	23.27	23.27	22.98
Jan	23.00	23.15	23.06	22.90
Mar	22.86	22.87	22.85	22.79

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
May	184.4	180.5	187.0	178.5
Jul	189.2	185.6	192.0	184.0
Aug	191.2	187.5	194.0	186.5
Sep	193.0	189.7	197.0	188.5
Oct	194.2	190.7	196.5	190.0
Dec	198.2	194.9	201.5	193.5
Jan	200.0	197.0	201.5	196.8
Mar	204.0	200.0	204.0	204.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
May	280/0	280/6	283/0	279/0
Jul	282/6	283/0	285/0	281/2
Sep	276/6	276/0	279/2	275/0
Dec	272/2	271/4	275/0	270/0
Mar	278/2	277/2	280/0	275/6

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
May	370/4	370/4	374/0	365/4
Jul	341/0	335/4	343/0	333/6
Sep	347/6	342/2	349/4	340/4
Dec	358/6	354/4	362/4	353/0
Mar	366/0	360/2	367/0	359/4

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Jun	73.15	72.80	73.30	72.40
Aug	71.77	71.30	71.85	71.30
Oct	74.12	73.72	74.27	73.77
Dec	74.67	74.40	74.90	74.37
Feb	74.96	74.55	75.05	74.60
Apr	75.46	74.80	75.60	74.95

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Jun	63.00	63.15	63.70	62.52
Jul	61.70	62.17	62.67	61.55
Aug	59.50	60.07	60.45	59.25
Oct	53.10	53.32	53.95	52.90
Dec	52.05	52.30	52.75	51.95
Feb	50.90	50.92	51.25	50.70
Apr	48.10	48.00	48.75	48.00

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
May	64.65	63.70	65.70	63.95
Jul	65.02	64.27	66.27	64.35
Aug	63.25	62.72	64.70	62.75
Feb	59.17	58.67	59.90	58.85
Mar	59.60	59.00	59.10	58.60

LONDON STOCK EXCHANGE

Heavy setback as the account closes

THE London stock market suffered a further setback yesterday as share prices were marked down sharply on growing concern over prospects for the UK corporate sector as well as for the broader economic outlook. Selling remained fairly light but the FT-SE Index lost 27 points, bringing into close focus the Footsie 2,100 mark last traded in mid-October.

Government bonds were also weak again, extending losses in late trading to show net falls ranging to ⅝ of a point at the longer end of the range. The bond sector was unsettled by first quarter data on the US economy which showed a 2.1 per cent annualised growth rate and the highest inflation rate since 1982 – 5.7 per cent – as measured by the GNP deflator.

Account Dealing Dates			
*First Dealings:	Apr 9	Apr 30	May 10
Option Declarations:	Apr 26	May 10	May 24
Last Dealings:	Apr 27	May 11	May 25
Account Day:	May 8	May 21	Jun 4

*New time dealings may take place from 9.00 am two business days earlier

The latter half of the session, which also marked the end of the three-week Easter trading account, saw share prices falling away persistently. There was no significant rally as the market moved into the new account and traders admitted to nervousness ahead of the UK local elections next week which are expected to bring a further setback for the Conservative Party.

The final reading showed the FT-SE Index at 2,106.6, just a shade above the day's worst level when the loss extended to 28.6 points. Seaq volume increased to 536.7m shares from Thursday's 510.9m but traders maintained that selling was very light; marketmakers were busy dealing among themselves as they squared trading books account close.

The market again followed an erratic path which appeared to reflect the general nervousness. Wimpey, a leading name in the housebuilding and construction industry, joined the list of companies warning on the profits outlook.

The Footsie Index has lost 80.5 points over a week featured by disturbing news on the corporate front, underlined at mid-week by a blunt warning on the UK economic outlook from Sir Kit McMahon, the chairman of Midland Bank. A further shock came with the news of a sharp increase in the UK trade deficit in March.

Over the extended Easter trading Account, equities have fallen by 5.2 per cent, as successive equity chart resistance levels have been lost. The loss of the FT-SE 2,200 mark, just over a week ago, has proved particularly unsettling and traders expect the 2,100 mark to be challenged on Monday.

While there were few definite reasons put forward for the fall in the market yesterday, market strategists commented on a noticeable drop in confidence. In part this was because some marketmakers were caught out in early trading when a widely-expected technical rally, which put 6.6 on the Footsie in early deals, was abruptly reversed. By noon, the market was down to the day's low.

FINANCIAL TIMES STOCK INDICES

	April 27	April 26	April 25	April 24	April 23	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	74.32	74.61	74.84	75.48	75.34	86.85	84.20 (2/1)	74.32 (27/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	84.72	84.48	84.87	85.00	84.89	97.25	92.91 (8/1)	84.48 (26/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1658.7	1676.1	1683.5	1697.2	1692.7	1750.4	1968.3 (3/1)	1658.7 (27/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	221.8	218.2	223.1	232.0	245.2	185.0	378.5 (6/2)	218.2 (26/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2106.6	2133.6	2143.1	2159.9	2159.2	2118.0	2463.7 (3/1)	2106.6 (27/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.47	5.41	5.39	5.35	5.36	4.45				
Earning Yld %(full)	12.26	12.12	12.09	11.97	12.05	10.84				
P/E Ratio(Net)(☆)	9.88	9.89	10.02	10.14	10.07	11.15				
SEAQ Bargns 4.45pm	26,053	21,449	21,036	20,969	20,238	30,007				
Equity Turnover(£m)†	-	982.96	704.44	759.71	652.33	1302.48				
Equity Bargains†	-	21,449	20,347	21,082	19,850	33,635				
Shares Traded (ml)†	-	444.2	323.9	325.3	357.8	505.9				

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.78

Ordinary Share Index, Hourly changes Day's High 1682.8 Day's Low 1658.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1679.9	1682.3	1676.7	1668.1	1660.6	1662.2	1667.1	1660.8	1658.8

FT-SE, hourly changes Day's High 2140.2 Day's Low 2105.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2137.3	2139.4	2128.9	2118.4	2108.1	2109.7	2114.8	2108.1	2106.4

GILT EDGED ACTIVITY

Indices*	April 26	April 25
Gilt Edged Bargains	74.9	72.4
5–Day average	68.9	69.9

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share Index: Tel. 0898 123001.

Water stocks upset

News that Mr Nicholas Ridley, the Secretary of State for Trade and Industry had ruled that the proposed merger of the "three valleys" statutory water companies – Lee Valley, Colne Valley and Rickmansworth – could be against the public interest and had been referred back to the Director General of Water Services for further consideration, hit the water stocks. The ruling was viewed by many in the market as an indication of Government opposition to mergers in the newly-privatised water industry.

Shares in the water companies soared immediately following their flotations last December, following evidence of stakebuilding by French companies and UK instituions, but began to falter at the end of February, as the Conservative Government's opinion poll ratings fell, raising the spectre of a Labour Government in the next general election.

But some analysts believe the market may have hit the water shares too hard. Mr Stephen Doe of Smith New Court, described the widespread falls in the sector as a "huge overreaction," and said that water share prices, "around the worst levels they have ever been, offer excellent yields."

The Smith analyst recommended Yorkshire Water, North West and Welsh in that order but also pointed to the excellent yield, almost 11 per cent, offered by South West.

The Water Package, which closed at £1395 on its market debut in December last year, dipped 30 to £1378. The weakest of the individual stocks were Yorkshire, 8 down at 143p and Northumbrian, which lost 7 to 150p.

Wimpey gloom

George Wimpey became the latest in the long line of building/contracting groups to warn of the impact of high interest rates on its profits performance.

Speaking at the company's annual meeting Sir Clifford Chetwood, Wimpey's chairman, warned that profits are set to fall in the first half of the year and may also fall in the second half.

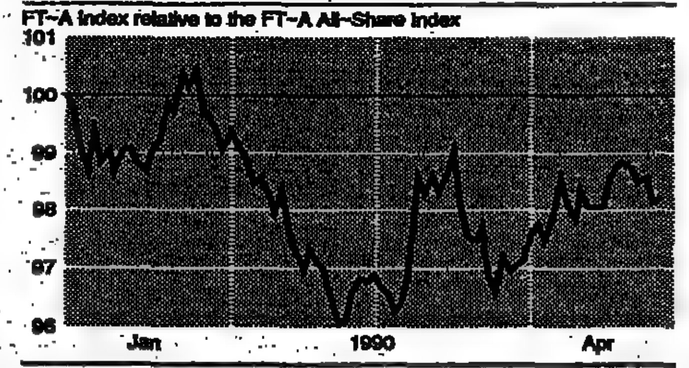
Wimpey shares fell back to 216p beforesteadying andending thesession at net 8 lower at 219p with turnover approaching the 1m mark.

Rolls-Royce calm

Thursday's buyers in Rolls-Royce, who had made the shares the focus of attention, were nowhere to be seen yesterday. Instead profit-takers moved in sending the shares 4 lower to 193p, in turnover of 4.2m shares. There was still no indication of the identity of Thursday's buyers who were thought to have picked up over 3 per cent of the company shares. However, traders commented that there was no wish to sell the stock below the 200p mark at which the mystery buyer was active.

Food manufacturing

FT–A index relative to the FT–A All–Share index



STC nerves

STC ran back 3 to 245p on turnover of 2.9m with the market increasingly nervous about next Tuesday's annual meeting, to be held in London. The market reacted to the suggestions that the board might issue a first half profits warning at the meeting.

Mr Adam Quinton of UBS Phillips & Drew said he expected the company to warn that first-half profits "could" fall to £100m, against £114.5m." He pointed to erratic ordering from British Telecom at the end of 1989, a heavy weighting of submarine cable profits towards the second half of the year, restrained profits from ICL and a sharp increase in finance charges as behind the probability of the profits warning.

But he also said that these were one-off factors and that the underlying trend at STC is such that the first half decline "will be offset by a 10.5 per cent increase in the second half; with the prospect of further industry restructuring in computing and telecoms, the presence of the Northern Telecom 27 per cent stake and a prospective yield of 7 per cent and price earnings ration of 7.8 times we would use any short term weakness as an excellent buying opportunity."

The insurance sector was awash with bearish stories. In the lifes, Prudential was given a pasting, dipping to a year's low point of 189¼p, before rallying to close a net 9 off at 191p on turnover of 7.8m shares; the market reran the old story that a big rights issue could well be on the cards in the near future. Dealers analysts did not rule out the possibility of the Pru taking such a step but emphasised that "any substantial dips in the equity market tended to bring out the same old rights issue tales."

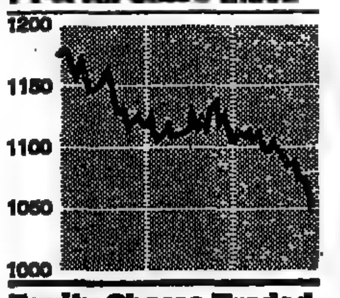
Lloyds Abbey Life continued to suffer from the profits downgrade talk of recent days and retreated a further 17 to 279p on 1.4m shares.

In composites Royals bore the brunt of some determined selling and closed 13 weaker at 438p on 3m with one UK securities house talking a story that its solvency margin has fallen sharply – a figure below 40 per cent was mentioned in the market.

The profits downgrade by UBS Phillips & Drew and others, left the First National Finance share price in a sorry state, closing a further 23 down at 189p, a two-day loss of 39.

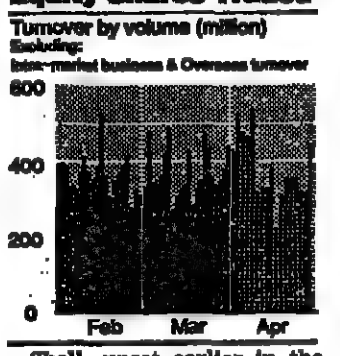
BP lost 5 to 306p, leaving the shares some 11¼ lower over the week, with turnover yesterday expanding to 11m and boosted by a big seller of some 2.5m shares.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Shell, upset earlier in the week by a BZW recommendation to switch out of the stock and into BP, lost 6 to 429p on 3m.

Kleinwort Benson remained bulls of the oil price and in their weekly note "continued to recommend an overweight position in the sector".

British Gas dropped 7 to a year's low of 188p on big turnover of 14m shares; dealers said the stock was badly manled by worries over the UK political scene ahead of next week's local elections in the UK.

ASDA were one of a handful of star performers with the shares bucking the market trend to add 4 to 92p as the company did the rounds visiting city institutions. Some 7.6m shares had changed hands by the day's close with SG Warburg and Cazenove said to have shown a very keen interest in the stock.

Kitcat & Aitken, the securities house recently met the company and said: "fundamentally, we remain cautious on the outlook for Asda", despite that view, Kitcat believes "Asda's share price now appears far too low, despite the negative fundamentals."

A big buyer accounted for a large part of the 4.4m shares traded in Argyll. The shares closed 2 up at 208p.

Cadbury-Schwepps stood out among food manufacturing as the shares bounced a penny to 308p, following the falls earlier in the week that came after the UK Monopolies and Mergers Commission said it was to investigate the carbonated soft drinks industry. An analyst said: "people now realise Cadbury have a strong argument and the situation is not as bad as we initially thought."

The other big names in the sector followed the market lower, thus continuing the recent weakness in the sector (see Chart).

The decision to refer the pubs for breweries deal between Grand Metropolitan and Elders IXL hit the brewery sector. Grand Metropolitan tumbled 16p to 554p on the news while Allied-Lyons lost 5¼ to 412p, in sympathy.

Bass however held up well gaining 9 to 915p, on speculation that the company had sold its Crest Hotels chain for a figure of around £400m. Analysts however discounted this speculation. The bad news that affected Grand Metropolitan was however said to have been perceived as favourable to Bass. Mr Neill Junor, at County Natwest said: "Bass are seen as likely beneficiaries in a period of uncertainity among brewers."

There were big falls in a property sector growing more worried every day by the prospect that some foreign banks may start to call in loans in the UK commercial property arena. In the background were stories that the Bank of England had warned high street banks about their loans to property companies. "Add that to recent news on the demise of Rush & Tompkins and problems at Sheraton, and you have the ideal recipe for a slide in the property sector," commented one trader in property shares.

He stressed, however, that most of the problems in the sector stemmed from the second liners and that the whole property market had been pulled down by the second liners;"although there has been no big wave of selling in the second-liners it is the weakness there that has triggered the big falls in the leaders; there is liquidity in the quality stocks and they are bearing the brunt of the selling pressure."

Of the top quality stocks British Land retreated 12 to 339p, Land Securities fell 16 to 464p and MEPC dropped 13 to 478p.

Among the second-liners Allied London fell 9 to 79p, Clayform 13 to 137p, London & Metropolitan 15 to 93p.

There was considerable nervousness in Helical Bar which ran back 16 to 207p amid talk of a badly handled selling order. Ford Sellar Morris, previously involved in a joint development with Rush & Tompkins, whose bank, Lloyds, has requested the appointment of a receiver, were sold down hard to 87p before closing a net 19 off at 90p.

The building sector was hit by some persistent and sizeable selling which left many of the smaller building stocks with heavy losses and at record low levels. "Today looks to be the day when the institutions and investors lost their nerve; things are very bleak indeed," said one gloomy dealer in the stocks.

Anglia Secure Homes, after the deal with Commercial Union, were requoted at 73p but fell back to close at 68½p.

Big losers in the small builders included Bellway, 17 off at 170p, Berkeley, 8 down at 146p, Maunders, 5 off at 78p and Westbury which dropped 24 to 128p.

Worries about the weakness in the property sector coupled with recent profits downgradings combined to make Trafalgar House a weak feature. The shares fell early in the day losing 17 to 289p, at one point. Cheap buyers however emerged later in the day and the shares eventually closed 13 lower at 293p, on turnover of 2m shares.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 5.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	2,000	175	−3	Cookson	1,600	187	−2	MB Group	1,500	194	−1	Siebe	279	441	−4
ASDA Group	7,600	92	+4	Courtaulds	941	292	−2	MEPC	545	478	−13	Slough Ests	260	273	−12
Abbey National	3,000	179		Dalgety	65	380	−3	Manpower	328	75		Smith (W.H.) A	28	284	−3
Allied-Lyons	1,400	412	−5½	Dixons	1,000	118	−3	Marks & Spencer	2,600	183	−5	Smith & Nephew	3,000	177	−2½
Amstrad	5,700	65	−1	ECC Group	527	353	−9	Maxwell Comm.	157	180	−4	SmKl Beecham	2,800	465	−3
Anglian Water	1,100	151½	−2	Enterprise Oil	55	554	−10	Mecca Leisure	1,200	80	−1	SmKl Beecham Units	106	2108	−32
Argos	3,900	194	−2	FKI	2,800	68	+½	Midland Bank	1,900	279	−8	Smiths Inds.	428	232	−1
Argyll Group	4,400	208	+2	Ferranti	1,900	43½	−½	NatWest Bank	2,100	307		South West Water	[illegible]	145	−6
Ass. Brit. Foods	607	388	−1	Fisons	2,700	331	−9	Next	2,500	63	−3	Southern Water	706	125	−1
BAA	1,400	378	−4	Gen. Accident	322	1000	−16	North West Water	3,100	139	−2	Standard Chart.	604	462	
BAT Inds.	1,200	683	−10	General Elect.	5,700	198½		Northern Foods	648	283		Storehouse	8,600	99	−10
BET	1,400	210		Glaxo	2,200	745	−6	Northumbrian Water	498	150	−7	Sun Alliance	1,200	298	−1
BICC	489	406	−6	Globe Inv	247	185	−1	Pearson	307	851	−8	Sun Life	55	1243	−7
BOC	854	498	−14	Glynwed Int.	1,500	255	−1	P & O	1,800	568	−11	T&N	57	162	
BPB Inds.	281	210	−2	Granada	1,100	221		Pilkington	1,900	198	−8	TI Group	227	444	−5
BTR	1,700	339	−6	Grand Met	6,300	554	−16	Polly Peck Intl.	2,200	396	−1	TSB	4,200	124	+2
Barclays	1,700	600	−7	GUS A	683	868	−6	Prudential	7,800	191	−9	Tarmac	2,800	222	−1
Bass	1,400	915	+9	GRE	1,200	221	−4	RHM	477	373	−3	Tate & Lyle	1,900	271½	−½
Beazer	541	144	−2	GKN	921	390	−6	RMC	487	600	−2	Taylor Woodrow	459	264	−2
Beresford Int.	2,200	130	−2	Guinness	2,000	684	−6	RTZ	785	517	−4	Tesco	2,300	197	−1
Blue Circle	1,600	211		Hammerson "A"	291	727	−3	Racal	10,000	183	+1	Thames Water	3,400	129	−4
Boots	984	249	−8	Hanson	10,000	213½	−1½	Racal Telecom	420	315	−5	THORN EMI	748	647	−2
Brit. & Comm.	0	53		Hanson Warrants	434	47	−2	Rank Org.	653	740	+5	Trafalgar House	2,000	293	−13
Brit. Aerospace	1,200	528	−6	Harrisons Crosfield	1,100	156	−5	Reckitt & Colman	229	1132	−11	Trusthouse Forte	2,400	229	−6
British Airways	2,500	187	−2	Hawker Sidd.	218	605	−5	Redland	758	559	−2	Ultramar	2,500	324	−5
British Gas	14,000	188	−7	Hillsdown	2,200	214	−1	Reed Intl.	1,200	385	−5	Unigate	94	260	−1
British Land	428	339	−12	IMI	1,000	220	−3	Reuters	2,800	1044	−4	Unilever	1,000	615	−4
BP	11,000	306	−5	ICI	1,900	1060	−10	Rolls Royce	4,200	193	−4	United Biscuits	1,800	309	−1
British Steel	6,200	134	−2½	Inchcape	972	349	−3	Rothmans	90	635	−9	Utd Newspapers	216	313	−6
British Telecom	3,400	246½	−3	Kingfisher	1,000	270	−6	Ryl Bk Scotland	1,400	153	−1	Water Package Uts.	1	£1373	−30
Bunzl	778	80	−2	Ladbroke	3,300	284	−7	Royal Insurance	3,000	438	−13	Wellcome	356	682	−9
Burmah Oil	304	579	−6	Land Securities	2,100	464	−16	STC	2,900	245	−3	Welsh Water	348	150	−7
Burton	568	147	−1	Laporte	340	491	−13	Saatchi	1,900	86	−1	Wessex Water	326	139	−2
Cable & Wire.	1,800	465	−6	Legal & General	1,400	358	−5	Sainsbury	849	253	−1	Whitbread "A"	1,500	370	−2
Cadburys	696	308	+1	Lloyds Abbey	1,400	279	−17	Scot. & Newc.	2,500	381	−2	Williams Hldgs.	1,200	284	−3
Calor Group	63	348	−5	Lloyds Bank	2,400	290	−2	Sears	1,900	88½	−1½	Willis Faber	890	275	
Carlton Comms.	339	475	−6	LASMO	576	874	−8	Sedgwick	182	245	−1	Wimpey	974	219	−8
Coats Viyella	442	111	−1	Lonrho	1,500	249	−2	Severn Trent Water	1,000	127	−2	Yorkshire Water	189	143	−8
Comm. Union	694	447	−12	Lucas	149	586	+1	Shell Transport	3,000	429	−6				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (7).
BRITISH FUNDS (1) ELECTRICALS (1) INDUSTRIALS (2) Morris & Crane, Sheldon Jones, OILS (1) THIRD MARKET (2).
NEW LOWS (830).
BRITISH FUNDS (67) INT.BANK & O'SEAS GOVT. STLG. ISSUES (6) FOREIGN BONDS (1) AMERICANS (8) CANADIANS (3) BANKS (24) BREWERS (6) BUILDINGS (38) CHEMICALS (8) STORES (28) ELECTRICALS (26) ENGINEERING (18) FOODS (29) HOTELS (6) INDUSTRIALS (98) AAH, ADT, ASD, Do. 6p Cv. Pf., Aarcson Bros., Amberley, Anglo Utd., Apollo Metals, Assoc. Brit. Ports., B.H. Props, BOC, BTR Nylex, BTR Wrrnts., Bardon, Beckenham, Black (P.), Bridgend, Bridport-Gundry, Brit. Fittings, Brit. Vita, Bullers, CH Inds., CSR, Cannon St. Invs., Cargo Control, Cassidy Bros., Celestion, Charter Cons., Clayhithe, Continuos Stny., Cosalt, Courtaulds, Courtney Pope, Cowan de Groot, Creighton Nat., Crosta, De La Rue, Dyson (J & J), EIS, Elders IXL, Erskine Hse. 7¼pc Pf., Expamet Int., Granada 7½pc Nst Cv., Halma, Handley-Walker, Hanson, Do. Wrrnts, Hay (N), Hunting, Do. 8¼pc Pf., IWP, Johnson Matthey, Lincat, Macarthy, Macfarlane, McLeod Russel, Nestor-BNA, Norton, Pentland, Pilkington, Do. Wrrnts., RPS, Record, Ricardo, Sale Tilney, Savage, Scot Robertson, Seton, Shanks & McEwan, SmithKline Bchm. Sq. Unts., SmithKline Bchm. A, Spring Ram, Stainless Metalcraft, Stocklake, Stormgard, Swallowfield, Tamaris, Tams (J.), Tilon, Trafalgar Hse., Unigroup, Waterford Wedgwood, Westmac, Williams (J.), Do. 8p Cv. Pf., Worcester, Worthington (A.J), Wyndham, YRM, INSURANCE (8) LEISURE (16) MOTORS (4) NEWSPAPERS (8) PAPERS (19) PROPERTY (51) SHOES (1) TEXTILES (8) TOBACCOS (1) TRANSPORT (8) TRUSTS (92) WATER (8) OILS (27) OVERSEAS TRADERS (4) PLANTATIONS (1) MINES (26) THIRD MARKET (16).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	1	85	12	71	325	94
Corps. Dom. & Foreign Bonds	0	9	15	5	33	62
Industrials	132	741	709	961	2,936	4,032
Financial and Props	59	374	295	436	1,411	1,702
Oils	9	43	37	65	196	187
Plantations	0	1	6	6	4	38
Mines	38	38	53	114	283	295
Others	62	89	102	263	471	506
Totals	301	1,380	1,282	1,844	5,659	7,128

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday April 26 1990

Packaging & Paper	- 1.76	Insurance(Brokers)	- 12.00
Metals & Metal Forming	- 2.78	Oil & Gas	- 12.02
Food Retailing	- 5.21	Investment Trusts	- 12.19
Agencies	- 5.39	Motors	- 12.20
Water	- 5.73	Stores	- 12.33
Engineering-General	- 6.46	Consumer Group	- 12.45
Conglomerates	- 6.91	Textiles	- 12.96
Chemicals	- 7.00	Insurance(Life)	- 13.00
Engineering-Aerospace	- 7.76	Other Industrial Materials	- 13.24
Transport	- 9.13	Financial Group	- 13.34
Electronics	- 9.96	Food Manufacturing	- 13.53
Brewers and Distillers	- 10.51	Banks	- 13.57
Capital Goods	- 10.75	Contracting,Construction	- 14.13
Other Groups	- 10.77	Merchant Banks	- 14.18
Property	- 10.80	Insurance(Composite)	- 16.56
Health & Household Products	- 11.09	Publishing & Printing	- 17.41
Electricals	- 11.29	Telephone Networks	- 18.27
Building Materials	- 11.50	Overseas Traders	- 19.96
Industrial Group	- 11.53	Leisure	- 23.04
500 Share Index	- 11.80	Gold Mines Index	- 29.41
All Share Index	- 11.94		

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	91-01	-08/32	13.79	13.80	13.43
		10.500	5/98	86-05	-16/32	13.16	12.77	12.64
		9.000	10/08	77-18	-12/32	12.05	11.68	11.46
US TREASURY *		8.500	02/00	95-13	+02/32	9.06	8.86	8.64
		8.500	02/20	94-18	+06/32	9.03	8.86	8.49
JAPAN	No 119	4.800	6/99	85.8836	-0.204	7.39	7.31	7.34
	No 2	5.700	3/07	89.0402	-0.134	7.13	7.14	7.26
GERMANY		7.750	02/00	93.2000	-0.050	8.80	8.73	8.54
FRANCE	BTAN	9.000	02/95	96.3833	-0.141	9.96	10.05	10.35
	OAT	8.500	03/00	92.9700	-0.120	9.62	9.66	9.73
CANADA *		9.750	05/00	89.2500	+0.050	11.59	11.71	10.93
NETHERLANDS		7.750	01/00	91.9300	-0.020	9.02	8.94	8.77
AUSTRALIA		12.000	7/99	90.6918	-0.476	13.80	13.55	13.37

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

US quota move boosts sugar price

RAW SUGAR prices climbed to the highest level since the 1980/81 bull market on the London Futures and Options Exchange yesterday. The August delivery contract rose $4.80 on the day to $360.60 a tonne, up $14.60 on the week. In the morning the London daily raws price had been fixed at $385 a tonne, up $8.40 on the day and $19.80 on the week but $1.40 below last month's peak.

The world market's established bullish mood, based mainly on the continuing decline in world stocks, was given extra impetus by Wednesday night's announcement by the US Department of Agriculture of a 250,000-tonne increase in the US import quota.

The move was a response to concern about inadequacy of domestic supplies, following two successive summer droughts and last winter's freeze, which had driven the domestic price above 24 cents a lb, compared with the department's "stabilisation price" of 21.95 cents. After the announcement the US domestic price dropped to 23.50 cents a lb.

Cocoa futures prices fell back from last week's 8-month peak in spite of the International Cocoa Organisation's announcement that it had cut its forecast of the 1989-90 world crop surplus. It now puts the figure at 154,000 tonnes, compared with its January estimate of 182,000 tonnes. The 1988-89 surplus was 321,000 tonnes.

The main factor behind the fall, which left the July futures price £48 down on the week at £846 a tonne, was talk of a possible devaluation of the CFA franc, the common currency of ex-French colonies in Central and West Africa. If such a move is decided on at meeting of Finance Ministers of the countries concerned in Gabon this weekend it will have the effect of reducing the cost of their cocoa to overseas buyers.

The London coffee market was also on the slide for most of the week, reflecting expectations of increased Brazilian exports because of falling domestic prices. But a modest rally yesterday lifted the July position by £2 to £672 a tonne, down £20 on balance. The market appeared to take little notice of a USDA estimate released on Thursday night that put Brazil's 1990 crop at 37m bags (60 kg each), some 11m bags above recent trade projections.

At the Baltic International Freight Futures Market (Biffex) trading continued to suffer from unseasonably slack demand for freight charters. The Baltic Freight Index (BFI), the indicator for dry cargo freight rates, this week extended its uninterrupted decline to 32 trading days, during which it has shed 153 points to 1,379. This week's fall amounted to 45 points.

At the London Metal Exchange zinc and copper staged substantial rallies. Expectations of supply tightness in June and July, against a background of production problems in Peru and Canada, pushed the zinc market through a significant resistance area and the cash price went on to end $125 up on the week at $1,757.50 a tonne.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	−5,625	to 133,025
Copper	−4,225	to 62,675
Lead	+1,075	to 33,375
Nickel	+276	to 7,032
Zinc	−425	to 43,550
Tin	+675	to 12,535

Monday's announcement of a 1,975-tonne fall to 43,975 in LME warehouse stocks gave extra encouragement to zinc's rise but copper's advance came despite a 12,325-tonne rise in stocks to 66,900 tonnes. That level was still uncomfortable low and the big rise had been expected, dealers said. And their wisdom in not reading too much into the advance was underlined yesterday when a 4,225-tonne fall was announced as the LME began its experiment in publishing stocks figures twice a week (on Tuesday's and Friday's) in an attempt to damp down market volatility.

With the strike at Southern Peru Copper Corporation into its sixth week copper traders remained nervous about short-term supply availability and despite falling by £34.50 yesterday cash metal ended the week £44.50 up at £1,625.50 a tonne.

Dealers said yesterday's fall followed the market's failure to break through stiff chart-based resistance above the equivalent of $2,530 a tonne (for three months metal).

A further rise in LME stocks added to the weight of pressure on the lead market yesterday and the cash position fell £9.50 to £486 a tonne, down £10 on the week.

Modest falls were also registered in the aluminium and tin markets but cash nickel ended $275 up on the week at $9,100, despite falling $100 yesterday. A 276-tonne increase in LME stocks, following a 720-tonne rise announced on Monday, was partly responsible for yesterday's decline, dealers said.

Richard Mooney

APPOINTMENTS

BR director provincial

■ BRITISH RAILWAYS BOARD has appointed Mr Gordon Pettitt, general manager of the Southern Region, as director provincial at BR headquarters. He takes over from Mr Sidney Newey, who becomes assistant to the chief executive railways. Mr John Ellis is made general manager Southern Region at Waterloo. He was general manager Scottish Region. The appointments are from May 8.

■ Mr Clive Pickford has been elected chairman of JONES LANG WOOTTON from January 1 1991 in succession to Mr Keith Douglas-Mann who retires on December 31.

■ Lord Rockley, a vice chairman of Kleinwort Benson Group, has been appointed a non-executive director of ABBEY NATIONAL from May 1.

■ MICRODOT AEROSPACE, Slough, has appointed Mr David Dobson as managing director. He was managing director of Bestobell Seals. Mr Paul Hassin becomes director of sales and marketing.

■ Mr Neville Fishwick has been appointed marketing director of ROBINSON HEALTHCARE, Chesterfield.

■ Mr Peter S. Bradford has been appointed chairman and chief executive of BRADFORD & SONS, Yeovil, succeeding Mr Michael Merriam who retires on April 30.

■ THE COMPUTER MANAGEMENT GROUP has appointed Mr Chris Harrison as a divisional director responsible for payroll and personnel services throughout Europe. He was managing director of the group's information processing subsidiary.

Mr Kevin Andrew (above), a director of the ROBINSON GROUP, has been appointed managing director of the group's packaging arm, Able Industries, which has become a wholly-owned subsidiary.

■ Mr Frank Hounsell has been appointed non-executive chairman of HILTI CONTRACTS, following the management buy-out from Hilti (Great Britain). He will be 3i's nominee on the board.

■ Ms Stephanie Lyon has been appointed a director of DRIVERS JONAS FINANCIAL SERVICES.

■ Mr Nigel Timson has been appointed new business development director at GRANADA COMMERCIAL RENTAL AND RETAIL. He was general manager with Granada Business Services.

■ BANKERS TRUST COMPANY has appointed Mr Alan Greatbatch as senior compliance officer for Europe, Middle East and Africa. He joins from Midland Bank where he was deputy head of group compliance, and compliance director for Midland Montagu.

■ SONE & WEBSTER ENGINEERING, Milton Keynes, has elected Mr Frederick Dymek as a director. He will retain responsibility for power generation activities.

■ STAKIS has appointed Mr Andrew Mitchell as group company secretary from May 1. He is Laird Group company secretary, and succeeds Mr Tony Lang who has resigned.

Mr Chris Murphy (above) has been appointed to the board of R. MANSELL (CROYDON), with responsibility for the specialised works department. He joins from J.M. Jones.

■ Mr R.V. Carson, Miss J.S. Edge, Mr S.L. Edwards, Mr J.M. Featherby, Miss F. Murphy, Mr P.M. Olney, Mr P.H. Stacey, Mr C.W.Y. Underhill and Mr O.A. Wareham will be admitted partners in SLAUGHTER AND MAY on May 1.

TRANSPORT DEVELOPMENT GROUP has appointed Mr Alan Cole (above) as managing director from June 1 when Mr James Lockhart retires. Mr Cole was group chief executive of Walter Alexander. Mr Lockhart will become a non-executive director.

County NatWest promotions

■ COUNTY NATWEST has made the following promotions. Mr Noel Healy, Mr John Fender, Mr Christopher McCann, Mr Stephen Moore and Mr Colin Senior have been appointed executive directors. At County NatWest Investment Management Ms Angela Richardson-Bunbury becomes an executive director, and Mr Simon Le Fevre a director. Mr Philip Augar, Mr Arthur Ewen and Mr Richard Redmayne are made executive directors of County NatWest Securities, and Mr David Atkinson, Mr David Barlow, Mr Jonathan Beatson-Hird, Mr Tony Davey, Mr Nick Downer, Mr Marc Gilbard, Mr Tom Marchant, Mr Michael Sherley-Dale and Mr John Williamson become directors.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

Corporation and County Stocks No. of bargains included 5

Greater London Council 6¾% Stk 90/92 - £87 (24Ap90)
Birmingham Corp 3% Stk 1947(or after) - £21 (23Ap90)
Birmingham District Council 11½% Red Stk 2012 - £90½ (20Ap90)
Bristol(City of) 11½% Red Stk 2008 - £86

12% Uns Cap Ln Stk 2010 - £90♦ 1♦
16% Uns Cap Ln Stk 2002/07 - £111½ ½ ¾
Barings PLC 7¾% Cum 1st Prf £1 - 55 (25Ap90)
Commerzbank AgCdbr(Iss Warburg) DM10 - £18♦
Kyowa Bank Ld Shs of Com Stk Y50 - Y1155 62.377334 (23Ap90)
Lombard North Central PLC 5% Cum 2nd Prf £1 - 36

USM Appendix

The Third Market Appendix

Rule 535(2)

Noranda Inc. £15.69,C$18.24♦
Oil Search 30 31
Orbit Oil & Gas 20♦30
Overseas Chinese Banking Corp S$8.85602 (20.4)
Palabora Mining $18.5 (24.4)
Petroleum Securities Aust A$0.251 (24.4)
Samantha Exploration 1.875♦ (20.4)
Selangor Coconuts 30 (25.4)
Singapore Land S$14.92782 (25.4)
Sun Electric Corp £10.25 (20.4)
United Overseas Land S$2.1♦ (20.4)
Westfield Minerals 70 (24.4)

By Permission of the Stock Exchange Council

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Thornton Unit Managers Ltd (1600)F						
33 Cavendish Sq., London W1M 7HF 01-493 7262						
Dealing 01-493 8545						
American Opps	5	52.49	53.28	56.88	+0.25	0.19
(Accum Units)	5	54.02	54.85	58.48	+0.23	0.19
European Opps	5	77.23	77.53	82.68	+0.12	0.00
(Accum Units)	5	77.65	77.95	83.14	+0.12	0.00
Far Eastern Opps	5	129.66	129.74	138.38	-0.85	0.00
(Accum Units)	5	130.49	130.57	139.26	-0.86	0.00
Golden Opps	5	36.80	36.80	39.29	-0.85	0.00
(Accum Units)	5	37.85	37.85	40.36	+0.89	0.00
Intl Hi-Yield	5	59.24	59.29	63.23	-0.21	4.35
(Accum Units)	5	64.58	64.63	68.93	-0.22	4.35
Sanyo Japan Tst	5	62.66	62.66	66.83	+0.27	0.00
(Accum Units)	5	62.66	62.66	66.83	+0.27	0.00
Kangaroo	5	29.29	29.29	31.23	-0.19	1.53
(Accum Units)	5	29.46	29.46	31.41	-0.19	1.53
Oriental Income	5	32.96	33.01	35.20	-0.12	4.98
(Accum Units)	5	37.61	37.66	40.16	+0.08	4.98
Tiger	5	146.20	146.20	155.95	-1.27	0.70
(Accum Units)	5	148.79	148.79	158.69	-1.70	0.70
UK Hi-Yield	5	41.24	41.24	43.98	-0.37	5.20
(Accum Units)	5	47.15	47.15	50.28	-0.43	5.20
UK Opps	5	51.98	54.36	58.13	-0.06	0.73
(Accum Units)	5	56.64	59.23	63.34	+0.02	0.73
Three Counties Asset Mngmt Ltd (1430)F						
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034						
Balanced Portfolio	6	88.25	89.85	95.59	-1.88	4.00
Timberlake Unit Trust Mngs Ltd (0900)F						
1 White Hart Yard, London SE1 1NX 01 407 5966						
Portfolio	2	96.56	96.56	99.25	-1.36	1.19
Touche Remnant Unit Tst Mngt Ltd (1600)F						
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250						
4 Hourly Pricing—12 Noon Historic						
TR American Gwth	5¼	46.97	46.97	50.1	-0.08	0
TR Eur Sp Sits Acc	5¼	45.58	45.58	48.56	-0.13	0
TR Eur Sp Sits Inc	5¼	44.69	44.69	47.62	-0.12	0
TR Far East Opps Inc	5¼	23.3	23.38	24.88	-0.16	—
TR Far East Opps Acc	5¼	23.3	23.38	24.88	-0.16	—
TR General Growth	5¼	69.24	69.24	73.65	-1.18	2.78
TR Global Tech	5¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TR Income Growth	5¼	79.97	79.97	85.07	-1.57	4.49
TR Income Monthly	5¼	49.68	49.68	52.85	-0.72	7.63
TR Japan Growth	5¼	[illegible]	[illegible]	[illegible]	[illegible]	0

	Bid Price	Offer Price	+ or -	Yield Gross
NM Rothschild Asset Management Ltd				
NC Managed	54.9	58.4	-0.2	3.93
NC Property	191.9	209.7	—	—
J. Rothschild Fund Managers Ltd				
Intl Exempt	142.9	144.4	—	3.38
Stewart Ivory & Co Ltd				
Saltus PPP Apr 2	248.4	262.5	-7.5	0.00
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Apr 17	101.55	107.62	—	3.84
(Accum Units)	100.74	106.4	—	3.84
Touche Remnant Unit Tst Mngt Ltd				
TR Exempt European	1228	1244	—	1.45
TR Exempt Nth Amer	949	962	—	3.9
TR Exempt Pac Basin	854	868	—	0

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Society				
(Investment Mngt M & G Inv Mngt Ltd)				
AA Friendly Sy Apr 12	—	148.3	—	—
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	299.7	315.5	—	—
Equity Ser. 1	122.9	129.4	-0.5	—
Prop. Acc. Ser 2	461.9	486.3	—	—
Equity Ser 2	142.5	150.1	-0.6	—
Selective Acc.	332.9	349.8	-0.9	—
Prop. Ser. 4	362.3	381.4	—	—
Equity Ser. 4	147.1	154.9	-0.5	—
Man. Ser. 4	426.2	448.7	-0.8	—
Fixed Int. Ser. 4	204.0	214.8	[illegible]	—

OTHER UK UNIT TRUSTS

Continued on next page

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
American Income	6	50.16	50.16	53.65	+0.15	5.12
Gilts & Fixed Int	6	100.2	100.2xd	106.2	-0.1	10.5
High Inc Equity	6	123.1	126.5xd	134.6	-0.9	6.76
Worldwide Bond	6	197.6	197.6	209.4	-0.3	9.16
Capital Growth						
American Growth	6	183.4	183.2	194.9	+0.1	1.06
Asian Pacific	6	124.9	132.4	140.9	+0.3	0.00
Assets & Earnings	6	144.7	144.7	154.0	-0.8	3.13
Capital Reserve Acc	0	89.53	89.53xd	89.63	-0.01	6.69
Capital Reserve Inc	0	73.29	73.29xd	73.34	-	7.[illegible]
Cmdty & Energy	6	98.66	98.66	105.6	-0.3	0.89
Dividend & Growth	6	44.48	45.50	48.41	-	4.68
1992 Enterprise	6	59.20	60.57	64.44	-0.11	2.48
Euro Capital Acc	6	104.5	104.5	111.0	+0.5	0.[illegible]
Euro Capital Inc	6	100.3	100.3	107.3	+0.5	0.89
General	6	160.8	160.8	172.0	-1.2	2.41
International	6	58.29	59.04	62.81	-0.13	0.00
Japan	6	93.64	93.64	100.2	+0.1	0.00
Mastertrust	6	86.27	86.27	92.27	-0.05	1.33
UK Growth Acc	6	163.2	163.2xd	174.6	-1.8	2.63
UK Growth Dist	6	106.7	106.7xd	114.2	-1.3	2.50
US Emerging Cos	6	54.74	56.26	59.86	-0.2	0.00
Income & Growth	6	281.9	288.7	307.2	-2.0	3.34
Ethical	6	44.71	44.71	47.82	-0.25	2.64

Abtrust Management Ltd (1200)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 [illegible]

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Amer Inc & Growth	5¼	32.14	32.14xd	34.31	-0.19	2.26
European	5¼	91.69	91.78	97.93	-0.28	0.00
European Income	5¼	89.77	89.86	95.92	-0.25	1.40
Exempt	1	694.6	694.6xd	716.3	-9.6	1.47
Exempt Income	3¼	160.5	160.5	170.4	-3.1	5.18
Exempt American	3¼	371.9	371.9xd	389.6	+2.1	1.61
Exempt Pacific	3¼	254.8	254.8	268.0	-0.8	0.00
Extra Income	5¼	39.33	39.33xd	41.98	-0.38	6.14
Far East Emerg Econ	5¼	62.38	62.85	67.31	-0.05	0.01
Fund Inv Tst	5	121.9	125.9xd	134.4	-1.0	0.66
Do Accum	5	190.5	197.4xd	210.7	-1.7	1.32
Gilt & Fixed Int	3¼	16.54	16.98xd	18.12	-0.06	11.56
Income & Growth	5¼	62.88	62.88xd	67.12	-0.16	4.10
Intl Income	5¼	61.61	61.61xd	65.76	-0.39	4.54
Japan	5¼	161.4	162.4	172.3	+0.2	0.09

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Ivory & Sime (Luxembourg) SA						
13 rue Goethe L-1637 Luxembourg 010 352 4046461						
Atlas Fund						
Global Cap Portfolio		$	2.367	2.511		0.25
United States Portfolio		$	2.431	2.577	[illegible]	0.55
United Kingdom Portfolio		£	1.038	1.102	[illegible]	11.60
Cont Europe Portfolio		DM	4.480	4.743	[illegible]	0.45
European Portfolio		£	1.122	1.189	[illegible]	—
Japan Portfolio		£	0.772	0.820	[illegible]	—
Pacific Portfolio		$	2.582	2.737	[illegible]	1.00
Gold Portfolio		$	1.909	2.024	[illegible]	0.35
UK Growth of Income		£	1.121	1.189	[illegible]	1.40
[illegible]		£	0.877	0.932	[illegible]	5.0
Global Bond Portfolio		$	1.861	1.972		8.50
Dollar Portfolio		$	2.073	2.074		7.30
Yen Portfolio		£	0.882	0.883	[illegible]	2.20
Sterling Portfolio		£	1.047	1.048		6.40
Midland International Circuit Fund SICAV						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 37788						
UK Growth		£	0.973	1.033	[illegible]	—
European Growth		£	1.095	1.162	[illegible]	—
Japan Growth		£	1.020	1.082	[illegible]	—
Pacific Growth		£	0.968	1.028	[illegible]	—
Nth American Growth		£	1.001	1.062	[illegible]	—
UK Fixed Interest		£	1.019	1.081		—
Multicurrency Bond		£	1.014	1.076	[illegible]	—
UK Stlg Liquidity		£	[illegible]	[illegible]	[illegible]	—
US$ Liquidity		$	1.028	1.091	[illegible]	—
Morgan Grenfell UT Mgrs/Deutsche Bank						
Representative for UK, Luxembourg						
20 Finsbury Circus, EC2M 2UT 01-826 0826						
Eurorenta		DM	79.94	82.40		—
DM Reserve		DM	115.89	117.10		—
Dollarrenta		$	48.45	49.90		—
Nomura Global Fund						
UK dealing agent National Inv Group plc, Holland Hse, 1/4 Bury Street, London EC3A 5AT 01-283 2050						
Asia Pacific P'folio			$8.19			—
Royal Trust Asset Management Fund						

	Bid Price	Offer Price	+ or -	Yield Gross
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y3,313	3,346	—	—
New Generation Fd. $	$19.68	19.89	—	—
Japan Index Alpha	Y9,795	9,942	—	—
[illegible]	Y8,609	8,736	—	—
Stronghold Asset Mngmt (Guernsey) Ltd				
Tech and Comm.	£12.52	13.06		—
Pacific Basin Fd.	$100.11	106.42	-2.06	—
Western European	$18.03	19.33		—
Tyndall International (Guernsey) Ltd				
Capital Defender	$1.28	1.35	+0.01	—
Hi Yield Bond	62.4	65.7	+0.1	13.30
Internat. Spec. Sits.	47.4	49.9		—
Managed Fd.	76.3	80.2	+0.1	—
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$703.44		—	—
Fixed Income Shares	$804.45		—	—
Wellington Fd Mngrs (Guernsey) Ltd				
Intl Growth Fd.	$13.15	13.80	—	—
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Mktg Growth	$11.19		-0.03	—
Yamaichi TSS Fund	$7.825		-0.03	—
Yamaichi CB Plus Fund	$9.45		-0.05	—
Thai Inv Fund	$12.16		—	—

JERSEY (**)

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Irish Fund Managers (CI) Ltd				
Sterling Currency Fd.	£14.6066		—	—
Managed Currency Fd.	$34.7645		—	—
Do Sterling Equivalent	£21.2307		—	—
Ecu	Ecu12.8243		—	—
Irish Gilt Fd.	IE£187.4377		—	—
Intl Managed Dollar	$23.7287		—	—
Intl Managed Bond	£21.1683		—	—
Barclays Intl Funds				
Currency Funds				
Sterling	£17.71		+0.02	13.7
US Dollar	$28.72		+0.02	7.1

Scimitar Worldwide Selection Fd Ltd

Scrimgeour Kemp-Gee

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Top Brand Fund Intl-SICAV

Tyndall International

	Bid Price	Offer Price	+ or -	Yield Gross
North Star Fund Managers (Cayman) Ltd				
Invest Fund	DKr264.0	265.0		—
Low Risk Fund	DKr207.0	208.0		—
High Perf. Fund	DKr248.0	249.0		—
Bond Fund	DKr159.0	160.0		—
Second Low Risk Fd.	DKr170.0	171.0		—
[illegible]	DKr200.0	201.0		—
Mixed Intl Fd.	DM140.0	141.0		—
Invest Fd (Cayman)	DKr117.0	118.0		—
High Perf Fd (Cayman)	DKr125.0	126.0		—
Bond Fd (Cayman)	DKr119.0	120.0		—
Mixed Fd (Cayman)	DM112.0	113.0		—
High Security Fd	DKr132.0	133.0		—
High Income Fd.	£9.8	9.9		—
Optima Fund Ltd				
NAV Apr 20	$12.42			—
Orbis Investment Management Ltd				

	Bid Price	Offer Price	+ or -	Yield Gross
US Pacific Stock Fund				
NAV Apr 27	$15.70			—
Unico Financial Services SA Lux				
DG Investment Bank Ltd				
Unico Invest. Fund	DM70.22	72.40		3.00
Unico Equity Fund	DM63.36	65.20		3.00
Union-Investment-Gesellschaft GmbH				
Unifonds	DM37.40	39.30	-0.30	—
Unirak	DM80.88	84.95	-0.10	—
Univenta	DM34.49	35.60	-0.10	—
Viking Fund-SICAV				
$NAV Apr 24 Ecu80.08				
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 90:10 Trust (Sicav)				
Dollar Fd BOPUPs	$10.12	10.13		—

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

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OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

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WORLD STOCK MARKETS

AMERICA

Dow retreats in confusion after GNP data

Wall Street

THERE was a confused reaction to yesterday's advance estimate of first quarter gross national product (GNP) which showed slightly lower-than-expected growth but higher inflation indices, *writes Janet Bush in New York.*

The equity market held steady in the immediate aftermath of the figures ,as Treasury bonds piled on gains of around ¾ point. But selling resumed when bonds started to retreat. At 1.30 pm, the Dow Jones Industrial Average was quoted 22.53 points lower at 2,654.05 on thin volume of 87m shares. The Dow had closed 10.14 points higher on Thursday at 2,676.58.

Selling of stocks yesterday was exacerbated in low volume by a round of stock index arbitrage, with traders buying Standard & Poor's 500 futures contracts and selling their underlying stocks.

The advance GNP release, which is normally subject to significant revisions as more data are collected, offered the markets a mixed bag and no clarification on how this might affect the US Federal Reserve's stance on monetary policy.

GNP rose 2.1 per cent which was a little below the consensus forecast of a 2.3 per cent rise and well below some of the most pessimistic forecasts of growth of as much as 3 per cent. GNP was up 1.1 per cent in the final quarter of last year. However, the accompanying inflation indices were higher than expected.

The fixed weight deflator, which tends to be the one looked at most as an indicator of core inflation, jumped 6.5 per cent in the first quarter compared with its gain of 3.6 per cent in the final quarter of 1989. The implicit price deflator rose by 5.7 per cent after a gain of 3.2 per cent in the previous quarter.

Opinion was divided on whether these figures will affect the Fed's attitude towards interest rates. Some felt that the Fed would remain on hold until it had seen some of the data from April, but a slightly more dominant opinion was that yesterday's batch of figures provided justification for the Fed to raise its Federal Funds target to 8¼ per cent from 8¼ per cent now.

Among featured stocks was Black & Decker, which fell $2¾ to $13¾. Aetna Life & Casualty added $¾ to $46⅝ on better-than-expected earnings, while Wellman slumped $1¼ to $27⅞ after it said that it intended to acquire a New England recycling firm.

Paramount Communications added $⅛ to $47½ on reports that Mr Herbert Siegel, chairman of Chris-Craft Industries, has been building a stake in the company.

Equimark fell $¾ to $8 after the company abandoned recapitalisation plans for National Bancshares of Texas.

Illinois Power fell $1¼ to $14¾ in a continuing negative reaction to the news that it will not get the entire rate increase which it had requested.

Canada

FALLING US bonds led Toronto stocks lower at midday. The composite index lost 18.5 to 3,350.9 on volume of 8.6m shares. Declines led advances by 228 to 188.

Loblaw rose C$⅛ to C$14½ after reporting slightly higher first quarter earnings of 17 cents a share after 14 cents. BC Gas was unchanged at C$14, following the release of improved first quarter earnings. Rogers Communications class B shares dropped C$⅝ to C$8 while its class A shares fell C$1½ to C$11⅛ after news of a second quarter loss.

EUROPE

Bourses slip as Feldmühle Nobel battle ends

WEST GERMANY was slightly lower as the long battle for control of Feldmühle Nobel, the paper-to-munitions group built up by the late industrialist Mr Friedrich Flick, came to an end. Elsewhere, bourses were mostly lower yesterday, *writes Our Markets Staff.*

FRANKFURT clawed back early losses thanks to a recovery by Daimler, up DM6.50 at DM825. The DAX index hit a low of 1,808.78 but closed 1.55 off at 1,825.52, a fall of 3.2 per cent on the week. The FAZ, calculated at midsession, fell 5.33 to 769.30 and was 3.7 per cent lower than the previous Friday. Volumes rose to DM6.3bn from DM5.4bn.

Feldmühle Nobel (FeNo), the paper, chemicals and engineering group controlled by Veba, remained suspended. After the market closed, Stora, the Swedish forestry group, and Patricia, a holding company owned by the Wallenberg group, said they would pay DM4bn for the whole of FeNo.

The Swedes paid an average price of DM567 for 85 per cent of the stock and will make a tender offer for the outstanding 15 per cent, the terms of which will be announced on Monday. Stora and Patricia bought roughly 50 per cent of FeNo from Veba, 25 per cent from Merrill Lynch and 5 per cent from the Flick brothers, relatives of Mr Friedrich Flick. Dealers said the remainder probably came from Svenska Cellulosa AB, another Swedish pulp manufacturer, which earlier this week said that it had abandoned its pursuit of FeNo and sold its 5 per cent holding.

Dealers added however, that Stora could offer below FeNo's closing price of DM560, as there are no protection rights for minority shareholders in West Germany.

Degussa dropped DM18.10 to DM542 after saying that group profits in the first half had fallen. It also said it was considering a capital increase in the next 12 months. Horten, the department store controlled by BAT Industries of the UK, said parent company net profit fell in 1989 and that it was halving the dividend to DM3. The stock fell DM6 to DM312.

Hoesch added DM2 to DM200 after raising its 1989 dividend to DM10 from DM8.

PARIS moved in a range of about 25 points on the CAC 40 index, before finishing slightly lower at 2,066.27, down 5.89 points on the day and 3 per cent on the week. An absence of foreign activity kept turnover low at about FFr2.5bn.

LVMH was volatile as profit-taking by some investors, who believe the drinks and luxury goods group is fairly or highly priced, alternated with speculative buying by others, who think that the Vuitton family might sell its stake. The stock closed at FFr4,790, down FFr99, after hitting a day's high of FFr4,900 and a low of FFr4,745, on volume of 23,380 shares.

Business in Saint-Gobain calmed down; the building materials group slipped FFr1 to FFr602 on 171,400 shares.

STOCKHOLM was pulled lower by profit-taking. The Affärsvärlden General index fell 4.1 to 1,161.6, down 1 per cent on the week. Stora, which announced after the market closed that it was taking over Feldmühle Nobel, saw its free B shares ease SKr2 to SKr293. Saab free Bs fell SKr8 to SKr242 after the company said that car sales had declined in the first quarter.

MILAN was steady, with investors sidelined before Tuesday's holiday and the local elections on May 6. The Comit index rose 1.09 to 691.32, 2 per cent below the previous week. Eridania, the sugar and starch company controlled by Ferruzzi, jumped L105 to L9,460 after reporting a 38 per cent rise in 1989 net profit. Olivetti rose L39 to L4,799 before reporting a 43 per cent drop in 1989 net profit to L202.8bn, in line with market expectations.

AMSTERDAM watched Akzo fall further. Trading ex dividend of Fl 6.50, the stock fell Fl 9.20 to Fl 118.30. The bourse is shut on Monday for Queen's Day. The CBS tendency index fell 1.0 to 116.2, a loss of 2.6 per cent on the week.

MADRID declined again after profit-taking and a rise in Treasury bill yields. The general index fell 2.55 to 272.25, down 2 per cent on the week.

Gas Madrid added 10 percentage points to 725 per cent of par value. Repsol, the oil group which already holds 30.9 per cent of Gas Madrid, is seeking a controlling stake at Pta4,000, or 800 per cent of par value, a share.

ZURICH fell in thin trading as lower bond prices and fears of continued high interest rates kept investors away. The Crédit Suisse index fell 4.8 to 581.2, ending the week 1.7 per cent lower. Banks continued to suffer after poor results in the first quarter. CS Holding fell SFr20 to SFr2,180.

ASIA PACIFIC

Volume shrinks before Golden Week

Tokyo

TOKYO stocks closed firmer but off their highs in thin trading yesterday, as buyers were unwilling to take new positions before the Golden Week holidays next week, when the market will open only on Tuesday and Wednesday, *writes Michiyo Nakamoto in Tokyo.*

Share prices started off with strong gains but fell back on profit-taking and arbitrage selling. The Nikkei average fluctuated between a high of 29,636.72 and a low of 29,437.02 before closing 160.22 firmer at 29,437.02. It fell 1.3 per cent over the week. Advances led declines by 503 to 395 with another 198 issues closing unchanged. Turnover shrank to 480m shares from the 550m traded on Thursday.

The Topix index of all listed shares posted a modest gain of 5.86 to 2,205.96 but, in London, the ISE/Nikkei 50 index slipped 0.67 to 1,699.32.

The Tokyo market did not get flustered by the yen's drop, partly because there is a growing conviction that the currency is likely to stay within its recent trading range for the time being. But buying interest remained selective, concentrating on special situations.

Nippon Mining, the mining and oil refining company, was third in volume with 27.2m shares and rose Y23 to Y981, helped by the news that certain Arab nations were renewing their efforts to buy into the Japanese oil refining industry. The issue was attractive from a technical standpoint as well, as it had fallen 20 per cent from its high of Y1,220 last December.

Many recent winners, however, fell on profit-taking. Isuzu, the automobile manufacturer which had risen on the news that it had developed a large capacity battery, lost Y40 to Y1,100. It topped the volumes list with 37.3m shares.

Interest in Osaka Gas, the utility company which rose on reports that it had developed a new product, was short-lived. After rising Y70 to a high of Y720, it closed down Y15 at Y635 in the second most active trading of 27.4m shares.

Suzuki Motor, well bid in recent sessions on the news that it had developed a machine which could find the AIDS virus, dropped Y79 to Y931 in active trading.

In Osaka, profit-taking was offset by interest in specific issues, leaving the OSE average with a small loss of 12.13 at 32,052.84. Turnover fell to 36.9m shares from the 50m traded on Thursday.

Roundup

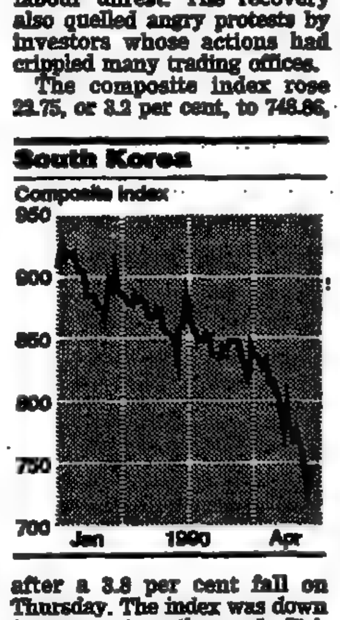
PACIFIC RIM markets were mostly weaker in thin trading before next week's holidays in Japan. But Seoul recouped some of its recent falls, which dampened the violent protests from investors. Malaysia was closed for a holiday.

SEOUL rebounded in volatile trading on rumours that the Government planned to take measures to support the market and further steps to control labour unrest. The recovery also quelled angry protests by investors whose actions had crippled many trading offices.

The composite index rose 22.75, or 3.2 per cent, to 748.86,

South Korea

Composite index



after a 3.8 per cent fall on Thursday. The index was down 2.4 per cent on the week. Volume increased to 140bn won from 119.4bn won.

MANILA plunged more than 3 per cent on panic selling triggered by the composite index's fall below the 1,000 barrier. Rumours of another coup attempt and the electricity crisis continued to upset the market. The composite index fell 34.05 to 977.33, down 9.1 per cent since the previous Friday.

HONG KONG eased in dull trading before the holidays in Japan next week. The Hang Seng index fell through the 3,000 support level to 2,986.33, off 23.01 points on the day and 3.6 per cent on the week. Turnover fell to HK$895m from HK$977m.

NEW ZEALAND was hit by rising domestic interest rates and a sharp fall in the local dollar. The Barclays index fell 21.51 to 1,702.72, the lowest level since March 1988 and a fall of 2.6 per cent over the week. Turnover rose to an active 12.4m shares valued at NZ$15.4m, up from 6.1m and NZ$11.4m.

Capital Markets continued to retreat on concern about its plans to merge with Fay, Richwhite, falling to 79 cents before closing 1 cent lower at 88 cents in the heaviest turnover of 2m shares. News that BNZ was laying off 216 of its 6,250 employees left it 8 cents lower at 81 cents on 1m shares.

AUSTRALIA was dragged lower by weakness in Elders IXL. The All Ordinaries index fell 6.0 to 1,456.5, down 2.4 per cent since the previous Friday, on increased turnover of 152m shares valued at A$219m. Elders IXL fell 9 cents to A$1.74, its lowest level in two years, on reports that its parent Harlin Holdings was being pressed by BHP, which has a holding in Harlin, to negotiate a new financing deal. BHP fell 6 cents to A$8.90.

SINGAPORE was mixed in thin trading after Thursday's holiday as blue-chips rebounded after their recent falls. The Straits Times index rose 2.60 to 1,470.44, a decline of 3.3 per cent on the week.

SOUTH AFRICA

QUIET TRADING saw gold shares firm in Johannesburg. The mood was cautious, however, before next week's talks between the ANC and the Government. The JSE Gold index added 29 to 1,751 and Vaal Reefs rose R2 to R343.

Not with a bang: the civilised fall of Vienna

Euphoria has slipped this week, says Judy Dempsey

AFTER MONTHS of hitting all-time highs, Vienna's stock market is slowly coming down to earth – not with a bang, however, for it is all very civilised.

Nevertheless, the fall in the bourse index, which reached 714 at the end of March but closed yesterday at 652.33, has prompted several dealers to ask serious questions about how German unification, as well as the economic and political changes in eastern Europe, will affect what was one of the world's best performing exchanges last year and this.

Just a month ago, dealers were waxing lyrical about the Ostphantasie: Austrian companies, they said, would profit from the massive reconstruction needed to bring the economies of eastern Europe back to life.

They cited the performance of shares in Austrian construction companies, such as Wienerberger and Poor, which are busy building hotels in eastern Europe.

The success of these and other companies was reflected in the average daily turnover of the bourse, which exceeded Sch800m ($67.7m) in the first quarter of 1990, compared with barely half that average level in the same quarter last year.

Foreign investors have also been seeking their share of the Vienna miracle. The US-backed Austria Fund has been launched in Wall Street; Nomura, the Japanese trading house, has launched its own Austria Equity Fund; and so has the French-owned Paineł-Marmonth-Banque, followed by Scudder Stevens and Clark, the US investment bank. In all, these funds have injected Sch5bn into the market.

Yet, this week, the euphoria at the exchange on Wipplingerstrasse slipped away, as did the turnover and the traders.

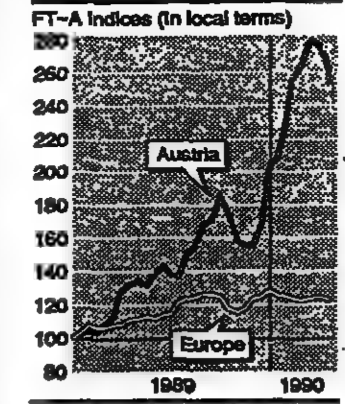
The daily average turnover fell to Sch580m. The share index has dropped 32 points, or 5 per cent, since Monday. The question being asked is, has Vienna's exchange bitten off more than it can chew?

Dealers give different answers, although they agree that the index can afford to drop another 10 per cent.

Some say that share prices were too high to begin with. Mr Guido Schmidt-Chiari, the chairman of Creditanstalt, the country's largest bank which has just recorded excellent results for 1989, says the current decline is simply a correction. "We are going through a necessary corrective phase. The exchange was over-confident; it should only be confident. It will fall another 10 per cent," he says.

Mr Christian Gutlederer, an analyst at the Vienna exchange, looks further afield. "The higher German interest rates plus the pending monetary union between the two Germanys is directly affecting

FT-A indices (in local terms)



Austria." As the schilling is tied to the D-Mark, Austria's interest rates were earlier this month raised to correspond to the shifts in Germany.

"I think that, at the moment, investors here seem to be interested in bonds rather than shares," Mr Gutlederer says. That is hardly surprising. Yields on bonds for 1989 averaged 6.8 per cent, but, in recent new issues, the nominal interest is just under 9 per cent, with an expected yield of about 8.8 per cent.

Then there was the recent advice given by international investment house Morgan Stanley, which advised its clients to reduce their Austrian portfolio from 4 per cent to 2 per cent. However, the firm is still positive for the Vienna market in the long-term.

"That advice has had an impact on Vienna," says Mr Raoul Tollmann, a dealer for a private house. "There is now a lack of new buyers. The volume is coming down, although there is no panic selling, but I think investors are looking to France and Italy, at least for the moment."

The main focus remains the impact on the market of eastern Europe. While Austrian investors and companies argue that they will profit from the developments in the East, dealers feel that too much was expected from company results for 1989 and the first quarter of this year.

While companies were expected to invest and expand in eastern Europe, they were also expected to show handsome profit margins.

"You cannot sustain both trends," says Mr Tollmann, who nevertheless, like his colleagues, still believes that Austria is in a position to gain from the developments east of Vienna.

This expectation will be tested over the next few months, when the Hungarian Stock Exchange opens in June, a move that will mean that a number of Hungarian companies will be listed in Vienna.

For instance, Ibusz, one of Hungary's largest tour operators which, after holding a monopoly for years, found it difficult to compete with new, young and hungry tour companies, will be listed in Vienna's secondary market.

Under current Hungarian regulations, only Hungarians are allowed buy bearer shares. But Austrian banks will get around this barrier by issuing certificates, which they will trade on the secondary market. This is what Die Erste, the Viennese-based saving banks, did with Skala, the highly successful Hungarian retail group.

The resumption of the market's upward trend is perhaps not an unrealistic hope, given Austria's healthy economy. Gross domestic product this year will hover between 3.5 and 4 per cent. Inflation will stabilise at 3.4 per cent and unemployment will remain less than 5 per cent, while increased profits last year in utilities, construction, banking, engineering and brewing range from 40 to 60 per cent.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY APRIL 26 1990						WEDNESDAY APRIL 25 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (61)	129.82	−1.6	117.79	114.02	−0.2	6.08	131.98	119.49	114.29	158.31	129.82	133.50
Austria (19)	257.00	+1.0	233.19	224.36	+0.7	1.19	254.55	230.47	222.69	265.63	193.15	123.37
Belgium (61)	146.99	−0.2	133.37	125.79	−0.3	4.63	147.26	133.33	126.20	160.02	132.11	133.35
Canada (120)	132.03	+0.6	119.79	110.95	+0.3	3.59	131.00	118.61	110.08	153.61	131.00	135.16
Denmark (34)	244.14	+0.6	221.52	211.69	+0.2	0.99	242.76	219.79	211.31	260.82	236.69	178.28
Finland (26)	130.61	+0.5	118.51	109.03	+0.3	2.45	129.99	117.69	108.67	152.29	129.98	154.06
France (125)	163.36	−0.5	148.22	144.53	−0.7	2.79	164.23	148.70	145.56	165.43	141.09	112.90
West Germany (94)	128.77	−0.6	116.84	112.60	−0.7	1.98	129.55	117.30	113.35	137.71	122.05	86.66
Hong Kong (48)	124.59	−0.3	113.05	124.59	−0.3	4.99	124.91	113.09	124.92	126.90	112.24	129.78
Ireland (17)	183.12	−0.3	166.15	161.77	−0.4	2.68	183.67	166.30	162.46	196.57	181.49	149.95
Italy (96)	99.92	−0.2	90.66	92.00	−0.3	2.49	100.10	90.63	92.27	103.73	91.85	81.74
Japan (454)	134.95	+0.0	122.44	135.37	+0.0	0.61	135.01	122.24	135.44	197.28	124.40	168.99
Malaysia (35)	207.51	+0.0	188.28	217.22	+0.0	2.49	207.54	187.91	217.22	245.32	207.04	177.07
Mexico (13)	408.51	+0.8	370.65	1255.06	+1.0	0.41	405.27	366.93	1242.89	412.02	324.58	179.70
Netherland (43)	136.82	−0.8	124.14	118.12	−0.9	4.77	137.94	124.89	119.15	145.66	130.43	121.70
New Zealand (17)	61.97	−1.0	56.22	56.86	−0.4	7.71	62.62	56.70	57.09	75.36	60.31	70.37
Norway (24)	221.36	+0.4	200.85	195.97	+0.3	1.63	220.52	199.66	195.38	245.90	202.34	186.42
Singapore (25)	181.29	+0.0	164.49	168.77	+0.0	1.92	181.29	164.14	168.77	199.38	179.70	153.03
South Africa (60)	173.80	−0.3	157.70	154.75	+0.9	3.82	174.28	157.79	153.30	251.39	173.80	144.07
Spain (42)	153.01	−0.1	138.83	122.93	−0.3	4.52	153.21	138.71	123.32	165.19	132.84	153.88
Sweden (36)	187.45	+0.6	170.08	169.20	+0.5	2.37	186.36	168.73	168.35	206.95	173.09	109.56
Switzerland (65)	91.28	+0.3	82.82	82.65	−0.1	2.50	91.00	82.39	82.76	99.12	86.75	76.01
United Kingdom (306)	141.66	−0.6	128.53	128.53	−0.4	5.14	142.58	129.10	129.10	164.31	141.66	148.32
USA (537)	134.61	+0.2	122.14	134.61	+0.2	3.57	134.30	121.59	134.30	145.40	130.61	125.81
Europe (967)	137.38	−0.5	124.65	121.56	−0.5	3.66	138.01	124.95	122.15	146.66	135.57	120.66
Nordic (119)	187.54	+0.6	170.16	159.59	+0.3	1.74	186.51	168.87	159.05	201.16	185.01	155.13
Pacific Basin (660)	134.28	−0.1	121.83	133.93	−0.1	0.95	134.43	121.72	134.02	192.75	124.68	164.27
Euro − Pacific (1647)	135.89	−0.3	123.29	129.51	−0.2	2.06	136.23	123.35	129.81	174.18	130.35	158.85
North America (657)	134.36	+0.3	121.91	133.05	+0.3	3.57	134.00	121.33	132.70	145.78	131.02	126.37
Europe Ex. UK (661)	132.77	−0.3	120.47	116.69	−0.5	2.79	133.23	120.62	117.28	136.21	124.61	103.44
Pacific Ex. Japan (206)	125.62	−1.0	113.97	114.24	−0.2	5.30	126.82	114.83	114.49	139.32	125.62	127.84
World Ex. US (1840)	136.28	−0.2	123.65	129.45	−0.2	2.18	136.58	123.66	129.66	173.77	131.30	157.69
World Ex. UK (2071)	133.96	+0.0	121.55	131.34	+0.0	2.37	133.96	121.29	131.32	162.00	130.50	145.10
World Ex. So. Af. (2317)	134.39	−0.1	121.94	130.88	+0.0	2.62	134.48	121.75	130.92	161.84	131.55	145.38
World Ex. Japan (1923)	135.82	−0.1	123.24	128.94	+0.0	3.67	135.92	123.06	128.98	146.52	135.25	124.53
The World Index (2377)	134.63	−0.1	122.16	131.08	+0.0	2.63	134.72	121.97	131.08	162.05	132.25	145.37

Latest prices were unavailable for this edition.Markets closed April 26: Malaysia and Singapore.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Apr 26	Apr 25	Apr 24	Apr 23	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2676.58	2666.44	2654.50	2666.67	2810.15 (2/1)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	88.89	89.02	88.92	89.46	93.04 (3/1)	88.89 (26/4)	—	—
Transport	1139.05	1136.38	1134.07	1141.36	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.61	206.30	206.05	205.67	236.23 (2/1)	205.67 (23/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2691.89 (2685.36) Low 2650.23 (2649.32)

STANDARD AND POOR'S	Apr 26	Apr 25	Apr 24	Apr 23	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	332.92	332.03	330.36	330.99	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	387.89	386.51	384.45	385.21	411.20 (2/1)	371.92 (30/1)	[illegible] (2/1/90)	3.62 (21/6/32)
Financial	26.87	26.91	26.82	26.97	31.07 (3/1)	26.82 (24/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	182.66	182.30	181.51	181.93	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (23/4/42)
Amex Mkt. Value	344.75	344.52	343.89	344.95	382.45 (5/1)	343.89 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	421.06	420.56	419.19	420.08	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Apr 20	Apr 13	Apr 6	year ago (approx.)
Dow Industrial Div. Yield	4.07	-	4.03	3.62

	Apr 25	Apr 18	Apr 11	year ago (approx.)
S & P Industrial div. yield	3.13	3.05	3.04	3.26
S & P Indl. P/E ratio	14.72	15.08	15.13	12.85

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Norton	2,582,000	88¼	- ⅛
Safeway	2,170,900	12⅞	.....
Bristol Myers Sq	2,098,100	54⅞	+ 2⅛
Sara Lee Corp	1,817,900	28⅝	- ⅛
Du Pont	1,736,300	37	+ 1⅛
Texas Utilities	1,711,400	34¾	+ ⅛
Compaq Comp	1,420,800	98¼	+ 4¼
Philip Morris	1,418,500	42⅞	+ ⅛
IBM	1,382,300	108⅛	- ⅛
Waste Man	1,226,800	36⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Apr 26	Apr 25	Apr 24
New York	142.629	133.480	137.360
Amex	12.278	13.761	10.475
NASDAQ	115.930	121.709	126.787
Issues Traded	1,948	1,961	1,977
Rises	666	783	638
Falls	774	653	818
Unchanged	508	525	521
New Highs	8	10	7
New Lows	75	84	92

CANADA

TORONTO	Apr 26	Apr 25	Apr 24	Apr 23	1990 HIGH	1990 LOW
Metals & Minerals	2949.40	2887.50	2851.90	2850.80	3453.05 (4/1)	2850.80 (23/4)
Composite	3369.50	3343.20	3341.00	3344.10	4009.47 (3/1)	3341.00 (24/4)
MONTREAL Portfolio	1740.65	1724.96	1721.42	1726.92	2060.90 (3/1)	1721.42 (24/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

	Apr 27	Apr 26	Apr 25	Apr 24	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1456.4	1462.5	(c)	1467.1	1713.7 (12/1)	1456.4 (27/4)
All Mining (1/1/80)	725.5	727.8	(c)	731.8	860.8 (5/1)	725.5 (27/4)
AUSTRIA						
Credit Aktien (30/12/84)	608.95	614.88	611.74	622.92	705.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6062.10	6084.29	6099.24	6112.47	6599.43 (12/1)	5568.16 (26/2)
DENMARK						
Copenhagen SE (3/1/83)	360.14	358.29	352.96	360.97	380.47 (28/3)	352.96 (25/4)
FINLAND						
Unitas General (1975)	579.7	575.2	572.7	575.4	677.3 (23/1)	572.7 (25/4)
FRANCE						
CAC General (31/12/82)	550.66	554.00	553.02	548.43	557.11 (23/4)	482.94 (26/2)
CAC 40 (31/12/87)	2066.27	2072.16	2091.57	2101.40	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	769.30	774.63	779.26	777.30	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2228.6	2245.4	2262.2	2255.7	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1825.52	1827.07	1843.31	1830.53	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2986.33	3009.34	3018.58	3015.84	3067.67 (19/4)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1658.19	1668.23	1679.29	1691.17	1893.10 (22/1)	1658.19 (27/4)
ITALY						
Banca Com. Ital. (1972)	691.32	690.23	(c)	692.92	713.06 (17/4)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	29584.80	29424.58	29564.36	29501.38	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2205.96	2200.10	2200.51	2193.09	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	3530.95	3515.72	3506.83	3526.26	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	(c)	(c)	527.86	524.48	622.20 (20/2)	524.48 (24/4)
NETHERLANDS						
CBS Td.Rtn.Gen.(End 1983)	252.0	253.5	255.2	256.7	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	191.8	193.3	194.7	195.1	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (2/1/83)	775.02	770.52	771.07	779.18	845.40 (16/3)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	977.33	1011.38	1029.43	1042.22	1160.70 (21/3)	977.33 (27/4)
SINGAPORE						
SES All-Singapore (2/4/75)	404.36	(c)	402.58	405.27	443.34 (6/2)	402.58 (25/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1751.0	1731.0	1692.0	[illegible]	2230.0 (16/1)	1692.0 (25/4)
JSE Industrial (28/9/78)	2794.0	2799.0	2794.0	2812.0	3212.0 (6/2)	2794.0 (25/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	748.86	726.11	[illegible]	768.47	928.82 (4/1)	726.11 (26/4)
SPAIN						
Madrid SE (30/12/85)	272.25	274.80	276.22	275.48	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1161.6	1166.7	1163.8	1165.6	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	750.2	749.1	748.3	750.2	787.2 (11/1)	[illegible]
TAIWAN**						
Weighted Price (30/6/66)	9713.78	9517.83	9576.74	9607.73	12495.34 (10/2)	8830.57 (19/4)
THAILAND						
Bangkok SET (30/4/75)	859.36	854.82	847.03	842.04	918.67 (5/1)	760.39 (7/2)
WORLD						
M.S. Capital Intl (1/1/70)	(u)	478.8	478.3	477.0	571.0 (4/1)	468.3 (2/4)

**Saturday Apr 21. Taiwan Weighted Price: 9365.93 Korea Comp Ex. 780.04

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

[illegible]

THIRD MARKET

1990 High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
94	64	Tomorrow Leisure 20p ψ	64	.....				24.3
55	35	UPL Group 10p ψ	42	.....	£2.75	1.9	♦	7.9
177	128	Unit Group ψ	177	+1	5.0	3.3	3.8	10.1
89	74	Video Magic Lels. 1p ψ	74	.....	W2.0	0.7	3.6	59.3
5¼	3¼	Vista Ents 5p ψ	3¼	−¼				
18	13	Vizcaya Hldgs 5p ψ	15	.....				
43½	29½	Whitegate Leisure 20p ψ	29½	−½	0.25	1.7	1.1	63.1
29	11	Do. Wrrnts ψ	12	.....				
5½	3¼	Wilton Group 1p ψ	4½	.....				

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ⁂ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ■ No par value

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend. cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89 G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989 K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90 P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ψ	76	.....
Craig & Rose £1 ψ	610	.....
Finlay Pkg. 5p ψ	55	.....
Holt (Jos) 25p ψ	1308	−7
Arnotts	435	.....
Carrol (P.J.J.) ψ	150	−10
Hall (R. & H.)	190	.....
Helton Hldgs ψ	68	+3
IRG	200	.....
United Drug	165	.....

IRISH

Cap. 8½% Ln. 1991	£97	.....
9pc Cap Ln. 1996	£93	+¼
Fla. 13% 97/02	£111	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¼
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	40
Courtaulds	24
Eurotunnel	68
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
PHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property	
Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils	
Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines	
Lonrho	22
RTZ	45

LONDON SHARE SERVICE

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
303	224	ANZ SA1	224	−2	44c	1.4	8.9	8.0
196	172	Abbey National 10p	179	.....	5.7	4.3	4.2	7.3
282	238	Allied Irish Ord	[illegible]	[illegible]	hQ68%	3.3	3.2	12.8
£13¾	£11⅞	Algemene Fl.10	£12¾	−¼	Q28%	2.1	7.0	6.7
85	73	Anglo Irish	77	−1	tQ18.7%	2.7	5.8	10.3
81	68	Ansbacher (H.) 1p	68	.....	2.5	1.3	4.9	19.6
£70⅝	£54¼	Bancaire Cie Fr100	£68½	−½	hQ12¼%	–	2.0	–
£22⅜	£16⅝	Banco Bilbao Viz	£18¼	+⅛	Q17.9%	2.0	3.9	12.7
£31	£24¼	Banco de Santander	£28¼	.....	Q25%	2.4	4.0	10.5
286	244	Bank Ireland Ir£1	245	−4	hsQ12.3%	3.2	4.8	[illegible]
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
390	320	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
[illegible]	108	Bank Scotland	109	.....	4.55	u3.6	5.7	6.4
100¼	90	Do. 9¼pc Irrd Pf	90½	−½	9¼%	–	13.6	–
54	49	Bank of Wales	49	.....	2.8	♦	7.9	♦
599	497	Barclays £1	[illegible]	+7	[illegible]	3.5	7.3	5.0
22	14	Benchmark 20p	14xd	−1	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	313	−2	†10.5	–	4.5	–
455	380	Cater Allen £1	380	−5	23.5	–	8.2	–
179	144	Chancery	144	−3	†8.0	2.8	7.4	[illegible]
£23¼	£19½	Commerzbk DM10	£20⅛	−⅜	Q18%	–	3.3	–
£13⅛	842	Dai Ichi KBk Y50	851	−9	hQ16%	8.8	0.3	32.5
£313	£262¼	Deutsche Bk DM50	£273	−1⅞	Q28%	–	1.9	–
£20⅞	£19	Espirito Santo	£19¼	.....	Q75c	3.3	2.3	13.4
253	189	First Nat. Fin. 10p	189	−23	13.0	2.4	9.2	[illegible]
121	101	FNFC 6.3pc Cv Pf	[illegible]	[illegible]	6.3%	–	8.3	–
£15¾	953	Fuji Bank Y50	986	+18	Q15.6%	4.2	0.3	–
325	265	Gerrard & National	265	−5	18.5	–	9.3	–
154	144	Guinness Mahon 10p	144	−2	♦2.1	–	1.9	–
328	225	Hambros 20p	229	−3	†10.0	–	5.8	–
138	95	Do. 7.5pc Cv Pf	95	−1	7½%	–	10.5	–
53⅞	45½	HK & Shang. HK$2.50	45½	−½	hQ38c	–	6.3	–
478	458	Joseph (Leo) £1	458	.....	15.85	–	4.6	–
145	128	King & Shaxson 20p	[illegible]	[illegible]	9.25	–	9.6	–
423	348	Kleinwort Benson Grp	[illegible]	[illegible]	16.0	2.5	6.1	8.8
642	402	Kyowa Bank Y50	[illegible]	[illegible]	hQ14%	4.7	0.6	32.8
307½	242	Lloyds £1	250	−2	13.3	2.6	7.1	5.9
56	46	Lon. Scot. Bank 10p	46	−1	2.4	1.8	7.0	9.6
404	275	Midland £1	279	−8	18.0	2.6	8.6	5.8
£14½	£10⅞	Mitsubishi Bank Y50	£10⅞	.....	hQ16%	8.1	0.3	[illegible]
£12¼	£6⅞	Mitsubishi Tst & Bk Y50	£7⅞	.....	Q16%	8.2	0.4	28.6
£10⅝	£7⅞	Mitsui Bank Y50	£8½	+¼	†Q16%	6.0	0.4	44.3

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

Weekend FT

SECTION II

Weekend April 28/April 29, 1990

The Emperor's new coins

Kenneth Gooding picks up the trail of an international forgery scandal . . . or is it?

EVEN BY the standards of the seamy side of international gold bullion trading, the Hirohito coin scandal is bizarre in the extreme. Japanese police insist that they have uncovered the country's largest known counterfeiting case, involving at least 103,000 gold coins and from which the forgers are said to have profited to the tune of $70m (£43m).

Police say the villains produced near-perfect replicas of the coins minted in 1986 and 1987 to commemorate the 60th year of Emperor Hirohito's reign, all the right size, shape and weight and made from very pure gold.

But are the Japanese authorities telling the whole truth? Undoubtedly police investigations are under way, but evidence is accumulating which suggests these may be a ploy to divert attention from some murky transactions which the Bank of Japan should have known about and which senior government officials may prefer to remain in decent obscurity. This certainly is the view of some of the world's most eminent coin dealers who have been caught up in the allegations.

There is no denying, however, that there is a great incentive for any forger of the Hirohito coins because the gold content of each one is worth only half the Y100,000 (£388) which the Bank of Japan promises to pay the bearer.

The counterfeiting allegations began to surface on January 31 when Taisei Stamp and Coin, one of the biggest and best-respected coin dealers in the world, attempted to cash 1,000 Hirohito coins. The presentation of such a large haul aroused the suspicions of a counter clerk at one of the Fuji Bank's Tokyo branches. The coins seemed genuine enough, but the clerk thought there was something strange about the plastic containers protecting the soft precious metal.

Fuji Bank officials alerted the Japanese authorities and set the Tokyo police along a trail starting in the Middle East and making its way back to Japan via Switzerland and the UK.

The story really started in 1986 with a scheme breathtaking in its audacity perpetrated by the Japanese authorities. It was decided to aim one stone at two big birds – an overheating Japanese economy and an embarrassingly large trade surplus.

The project involved the Bank of Japan issuing millions of gold coins to celebrate the 60th anniversary of Hirohito's accession to the Chrysanthemum throne. (Since his death he is known as Emperor Showa). A huge amount of gold was required – 300 tonnes of it, then worth about $3bn and equivalent to about one quarter of all the gold mined that year. It represented more than the combined output of Canada and Australia, the third and fourth-largest western gold producers.

Japan was under pressure from the US authorities at that time because trade between the two countries was hugely favourable to Japan. So the Bank of Japan made sure that every ounce of the Hirohito gold was imported via New York. And, because the gold had to be re-refined to a very high purity, the precious metal was imported as "manufactured goods." That certainly helped narrow the trade gap – at least on paper.

The Japanese authorities moved on to their second objective – to mop up some of the surplus cash sloshing around their domestic economy. A first tranche of 10m Hirohito gold bullion coins was issued and rapturously received by Japanese investors.

Queues formed and ballots were held for the first legal tender gold coins to be issued by Japan since 1929. There were symbolic overtones. The coins celebrated "an age of affluence," according to one enthusiastic Member of Parliament.

However, one or two important and unusual facets of the issue were not made clear to Japanese investors. To start with, the coins were sold for Y100,000 yen each and because the gold content in each coin was worth only about half that nominal value, the Bank of Japan made Y600bn profit, worth $3.5bn at that time – profit made from mainly private Japanese investors.

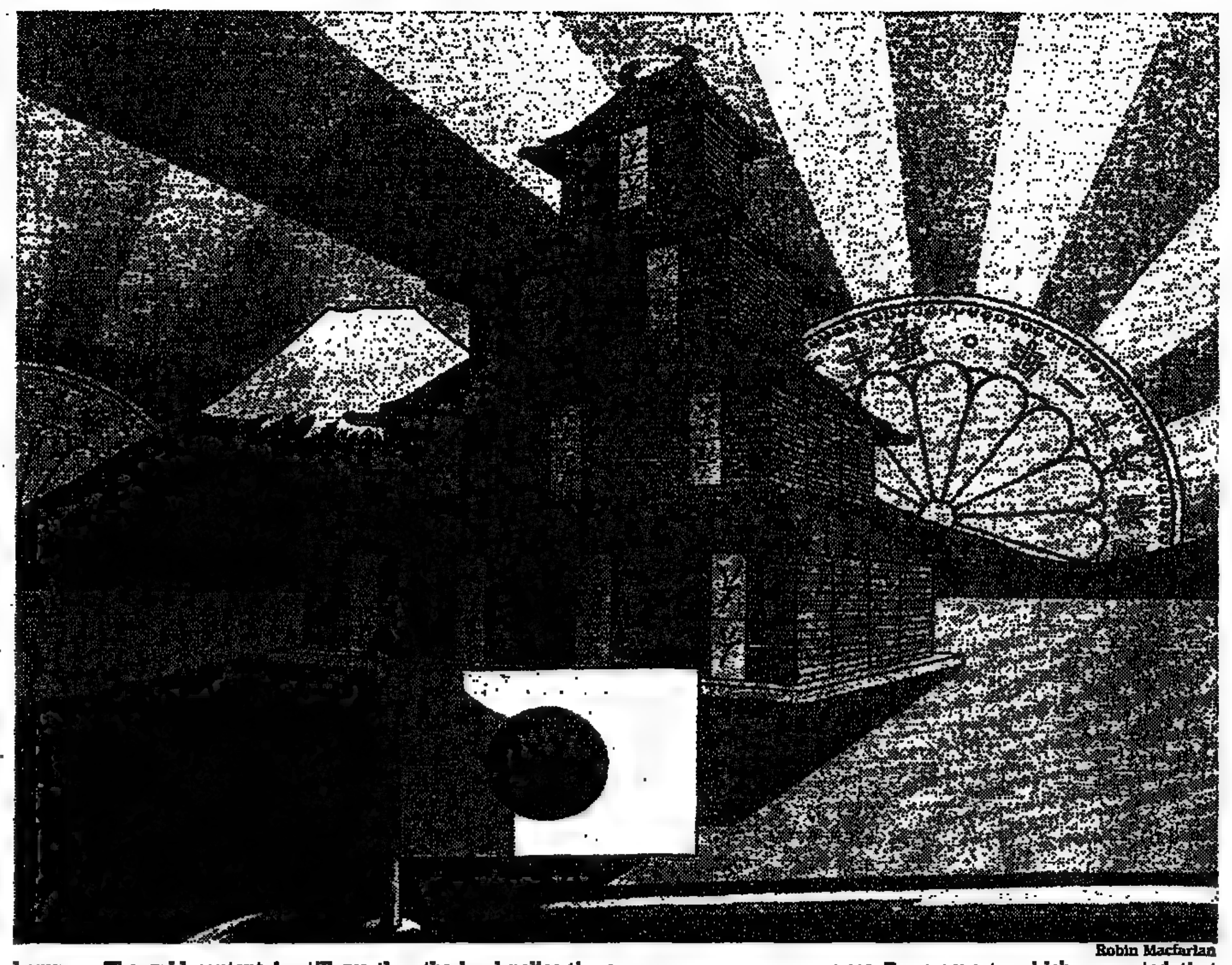
To be fair to the authorities, the coins could be returned to the Bank, which promised to pay Y100,000 each for them. But officials shrewdly calculated that the issue would attract mainly unsophisticated investors who wanted the coins for sentimental reasons, rather than as an investment. It was always unlikely that many Japanese investors would cash in the coins.

The Hirohito gold coin, according to dealers, is out of the ordinary for other reasons too. To start with, it does not follow the example of other legal tender bullion coins, such as the American Eagle, Canadian Maple Leaf, Australian Nugget or the British Britannia. Its value does not go up and down with the market price of gold.

Neither is the Hirohito of much interest to coin collectors. Eventually 11m Hirohitos were issued, so they do not exactly have a scarcity value.

Japan's Finance Ministry says that only 30,000 of the coins went to overseas buyers but other reports suggest that dealers sent about 300,000 out of the country, mainly to speculators willing to take a gamble on currency movements.

The Hirohito coins still have a very important attraction for the unscrupulous, however. The gold content is still worth only about half the cash value promised by the Bank of Japan. So the coin offers the forger an unparalleled opportunity to double his money if he can produce a pure gold imitation.



Robin Macfarlan

This, the Japanese police claim, is what has been happening since early in 1988. The police hint that counterfeiters are at work in the Middle East, cashing in on the premium offered by the Hirohito and using a convoluted chain of intermediaries.

Some eminent members of the international coin-dealing fraternity are involved in this chain. In Japan, allegedly suspect coins have gone through the hands of Taisei, RimPac Gold and Duruma Galaries. Taisei and RimPac were supplied by Paul Davies, a three-man coin dealing company based in Ilkley, Yorkshire, headed by Paul Davies, 38, widely respected in the coin trade and who has spent 17 years in the business.

Davies bought the coins over an 18-month period from another dealer, Franco Giacolone, based in Lugano, Switzerland, and an agent for the E J Line company. Giacolone also sold coins from the same batch, now alleged to be suspect, to one of Switzerland's major banks, the Union Bank of Switzerland in Geneva. UBS sold its coins on to yet another dealer, Hermann Haberling, president of the Erwin Dietrich company in Switzerland. Giacolone also supplied Haberling direct.

Davies voluntarily flew to Japan at his own expense on February 2 and spent 40 hours in conversation with the Tokyo police. This resulted in three Tokyo police representatives setting off hot-foot to Switzerland and the UK to ask for help from the local police there.

Davies says that while in Tokyo he might just as well have talked directly to the local press because everything he told the police was immediately "leaked." He says the Japanese press mainly presented the story as one in which a massive fraud was being perpetrated by Westerners to make Japan lose face.

Davies is adamant that that the coins he handled were not forgeries. He says he was approached by Giacolone about a batch of 160,000 Hirohito coins with a face value of about $100m which a certain Middle East government wanted to dispose of discretely. Davies does not know the identity of the country concerned but he understands Giacolone has given this information to the Tokyo police. Davies now believes this Middle East government received the coins direct from Japan.

Davies sent 37,695 of the suspect coins in 29 deliveries to RimPac in Japan between August 1988 and December 1989. Japanese monetary controls require Japanese citizens who want to import more than Y5m (equivalent to 50 of the coins) to have written permission from the Finance Ministry. The Bank of Japan accepted all the coins as genuine without question.

The Union Bank of Switzerland also tested its coins before passing them on. Its spokesperson, Gertrude Erismann, says: "We have always said the coins were genuine. We do not trade in fake coins. This is very annoying for the bank. We don't need this business."

UBS was particularly put out by Japanese Press reports which suggested that one of its senior officials was involved in the alleged scam and had accepted payments from a Japanese bank into a personal account. This was checked and found to be completely without foundation, Erismann says.

Davies and UBS called in one of the foremost authorities on coin forgery, Ernest Newman, former chief metallurgist at the British Royal Mint and who has given evidence as an expert witness in more than 500 coin counterfeiting cases. His company, the International Numismatic Anti-forgery Bureau, carried out exhaustive tests on two of the coins from the same batch as the Japanese say are counterfeit. Newman declared them to be genuine.

Tests included examination with an electron-scanning microscope that magnifies details 1,500 times. Among other things, Newman used laboratories at the Johnson Matthey precious metals refining group in the UK to establish that the tiny traces of other materials apart from gold – one millionth part of the whole – were the same in the alleged fakes as in a coin known to be genuine.

Davies immediately challenged the Japanese police to allow the same tests to be carried out by Newman on some of their allegedly counterfeit coins. He challenged the Japanese authorities to produce evidence that the counterfeit coins really existed. He asked why the Japanese had not followed normal procedure in the coin world and provided details to enable holders to establish whether their coins were genuine.

Davies points out that it would be practically impossible for the forgers to cover their tracks and escape detection if they really exist and if the Japanese police are doing their job properly. He says it would have required nearly three tonnes of gold to get any forgery scheme off the ground, costing $40m up front. However, gold bars are made of what the trade calls "three nines gold" or gold of 99.9 per cent purity. The Hirohito coins consist of "four nines" gold which is 99.99 per cent pure. Potential forgers would have had to go to one of only three or four refineries in the world capable of refining the precious metal to such a high state of purity.

The gold would then have had to be melted and rolled into flat sheets from which coin blanks could be cut. Special dies, exactly duplicating the fine details of the Hirohito coins, down to the 287 notches round the rim, would have to be made and equipment bought to mint the coins. Davies estimates such equipment would cost $10m and require expert handling because the weight of the coins produced would have to be carefully monitored at all stages.

Forgers would also have to produce the special plastic containers for the coins. "How could anyone set up an operation like that and keep it quiet?" Davies asks. "The Japanese police have no evidence whatever that either the gold or the machinery to produce the coins has been bought.

"And how could any forger be so confident as to put $40m up front and expect that he would get his money back before his plot was uncovered?"

Davies points out that so many genuine Hirohito coins were minted that there were bound to be small differences between them as dies began to wear and were replaced. He says he wants an apology from the Japanese and, most of all, he wants 4,200 of the coins trapped in bond at Narita, Tokyo's new international airport, to be released. This is tying up $3m of dealers' money. "It is grossly unfair. All the coin dealers involved are suffering hardship. All the parties involved are reputable, honourable coin dealers with many years experience," he says.

The Tokyo police say their investigation might last another six months and suggest that the Bank of Japan is "120 per cent sure" the coins are counterfeit. The police say the alleged fakes are less lustrous than the real things, that their form differs slightly and the structure of the metal is different.

One police official suggested that Davies and the Numismatic Anti-Forgery Bureau might have compared one genuine coin with another.

The two Japanese institutions involved, the Bank of Japan and the Finance Ministry, deflect questions, saying it would be unwise for them to comment while the police investigation is continuing. The impression is given that the Japanese authorities would prefer the issue to go away.

Davies adds another twist to this remarkable story by suggesting that the suspect Hirohito coins were indeed made by the Japanese Mint and that 200,000 were shipped out to a Middle East government in payment for services rendered. This valuable package did not show up in an obvious way in the Japanese export statistics. Now, officials are putting pressure on the coin dealers to find out how and why the coins found their way to the Middle East. Davies says that the dealers might be victims of a conflict within the Japanese bureaucracy.

Meanwhile, there has been considerable

Continued on Page VIII

The Long View

Giving credit where it isn't due

ERRATIC imports are being blamed for the Government's latest trade disaster. Other factors leading to the economic mess, presumably, include erratic inflation, erratic bank lending and erratic productivity growth. But I guess that the Government will never blame erratic policies.

The long agony of the gilt-edged market continues, with 20-year yields hitting 12 per cent. It is interesting to note that the price of 2½ per cent Consols – by which governments used to be judged, and perhaps still should – has fallen by 25 per cent over the past year. Dangerous things, bonds: equities are far safer, and have fallen by only 1 per cent during the same period.

Increasingly, of course, the stock market can look overseas for its comfort. There is no such reassurance for the gilt-edged market, which can draw only upon the financial credibility and political reliability of the British Government. Right now, those attributes are in distinctly short supply.

This week's statistics have underlined the policy failures. Bank lending continued to race ahead in March, with the broadly-based version of the money supply, M4, showing annual growth of 17½ per cent, as it has ever since 1988.

Remember that it is almost two years since the former Chancellor of the Exchequer, Nigel Lawson, began to raise interest rates, but there has been absolutely no visible effect on credit growth. Much the same applies to trade. A cooling of the economy was supposed to lead to a shrinkage in the current account deficit, but this reached £5.6bn in the first quarter of 1990, the second-worst figure ever.

Although the Government is apparently surprised at this outcome, readers of this column need not be. I have stressed repeatedly the need to crack down hard on personal spending, which could be done most directly through a sharp increase in income taxes. This has never happened (although the only good thing to be said about the poll tax is that it might hit some consumers quite hard, at least until they succeed in obtaining inflationary pay increases to compensate).

Public perceptions about the alleged squeeze on spending have been confused by stories of business collapses and losses among High Street retailers. But, by and large, these reflect management failures, not a contraction of business. Sainsbury and Marks & Spencer have been doing very nicely, thank you. If you look behind Laura Ashley's reported losses this week, for instance, you will find that the company's UK sales, in aggregate, are reasonably strong.

The official statistics for retail sales show that volume in the first quarter was up almost 2 per cent on a year earlier. Over the past four years, growth has been more than a fifth in volume terms.

BARRY RILEY

There has been a 25 per cent fall over the past year in the price of Consols, something by which governments used to be judged

And growth in retailing business has represented only a part of the general surge in demand in the British economy, reflecting the rampant growth of credit, so that by 1989 there was probably an excess demand of something like 8 per cent. By that, I mean that only through cutting demand by such an amount, relative to the capacity of the economy to supply, could you get down to a level compatible with balance in trade and with the elimination of inflationary pressures.

It would not necessarily have to be done all at once: assuming 3 per cent underlying growth in the economy, and zero growth in demand, you might get to a position of balance in three years, at the price of accumulating sizeable debts in the meantime and suffering significant inflation. There is a reasonable case for spreading out the agony. But there is no case at all for permitting demand growth to continue and, at the same time, expressing bafflement that the trade balance payments and inflation should get further out of control.

Instead of taxing consumers, the Government has relied upon the general weapon of high interest rates. These have hit some categories in the personal sector but have enriched others. And the impact on demand for credit has been less than devastating: building society mortgage commitments reached £11bn at the end of March, up from £9.9bn at the same time last year.

Once next Thursday's local government elections are over, the Government might be forced to accept the need for yet another rise in the cost of money, perhaps under the influence of rate rises overseas, or the announcement of a double figure inflation rate on May 11. A financial crisis is already looming, and it might need only a trigger to set it off. Rush & Tompkins joined the lengthening list of bankruptcies last Thursday, two days after Midland Bank began hoisting publicly the storm warning cones about bad debts.

Since Nigel Lawson began "tightening" credit, another £150bn of loans have been pumped out into the economy. The ability of marginal and distressed borrowers to service this debt must be increasingly doubtful. A financial crash is certainly an effective way of restraining an economy; but it is scarcely an orderly one, and it is likely to hit industry much more heavily than the personal sector. In modern circumstances, too, a collapse can be highly inflationary. This is because governments resist the banking failures which are part of the natural economic correction of credit-based excesses.

In the United States, public money running into hundreds of billions is to be injected into the financial system over the next few years to stave off collapse, and the loss of savings. The British Government could conceivably come under a lot of pressure to do the same thing. So, the monetary contraction that we need sorely might never happen. Investors in Consols should watch out. But governments long since ceased to be concerned with this kind of popularity rating. The once-mighty issue is now worth only £58m, and its holders do not have many votes.

CONTENTS

FINANCIAL TIMES
Weekend April 28/April 29 1990

Patten plays down significance of review, despite pressure for radical changes

Ministers reject poll tax overhaul

By Michael Cassell, Political Correspondent

THE GOVERNMENT'S review of the poll tax is concentrating on ways of reducing household bills and will not extend to a radical overhaul of its basic principles, ministers indicated yesterday.

As a fresh political row erupted at Westminster over the Government's handling of the issue, only a week before the local elections, senior ministers were rejecting suggestions that fundamental legislation intended to make the tax more popular is being planned for the summer.

The Labour Party immediately moved to capitalise on the Government's continuing difficulties over the tax with Mr Neil Kinnock, the Labour leader, demanding a Commons statement on Monday spelling out the Government's intentions.

Ministers were emphasising that while some legislative changes might be considered, efforts were to be concentrated on improving benefit levels to those hardest-hit by the switch from domestic rates and on reviewing the overall amount of central government grant available next year to local authorities.

Mr Christopher Patten, Environment Secretary, denied that the review signalled any fundamental changes in the tax and said he had already indicated that some modifications were possible.

The senior group of ministers now examining ways of improving the system – including Mrs Margaret Thatcher; Mr John Major, the Chancellor; Mr Kenneth Baker, the Conservative Party chairman; and Mr Patten – has not reached any conclusions.

Although no formal deadline has been fixed for completing their review, ministers will want it concluded well before Mr Patten is due to make his annual statement on the revenue support grant settlement to local authorities in July.

With Downing Street denying reports that Mrs Thatcher had herself now accepted that the poll tax is unfair, the Prime Minister has already rejected any plan for "banding" the tax so that it is more closely related to people's ability to pay. Suggestions that local authorities could be relieved of the costs of education in order to ease pressure on council budgets have also been ruled out, leaving an extension of charge-capping powers to councils with budgets of under £15m as the most likely area for any legislative changes.

Before Mr Patten charge-capped 21 councils earlier this month, Mrs Thatcher originally supported a much wider capping exercise.

The poll tax issue flared up again following reports that Mr Mark Lennox-Boyd, the Prime Minister's parliamentary private secretary, had being reassuring worried Tory MPs that legislation to reform the poll tax could, if necessary, be ready by July.

His intervention prompted confusion among the Government's supporters at Westminister. Whitehall officials yesterday placed a different interpretation on Mr Lennox-Boyd's conversations with MPs, claiming he had merely being emphasising that a review was underway. If it concluded that legislation was necessary, then it would be introduced.

Conservative MPs, however, intend to maintain pressure for significant changes to the way the tax is operating.

UK farmers will benefit from EC price settlement

By Bridget Bloom, Agriculture Correspondent

BRITISH FARMERS expressed satisfaction bordering on delight yesterday at a European Community farm price settlement, which is expected to add nearly £600m to their incomes in a full year.

The agreement, reached by agriculture ministers yesterday morning, will result in price rises ranging from nearly 11 per cent for cereal, sheep and poultry farmers to 7 per cent for dairy farmers.

Mr John Gummer, Minister of Agriculture, Fisheries and Food, who negotiated the deal for Britain, said yesterday that the rises, which stem from devaluation of the so-called green pound (the rate at which EC farm prices are converted into sterling), would add only "a very small amount" to the retail prices index.

Mr Gummer, with Mr Ray MacSharry, EC Farm Commissioner, also insisted that the package would retain the "financial disciplines" in the Community's farm budget agreed by heads of government in 1988.

The agreement will add Ecu 337m (£252m) this year and Ecu 1.09bn (£814m) in 1991 to original estimates. However, according to officials in Brussels, this will still leave the farm budget – accounting for nearly two-thirds of all EC spending – well within the guideline of Ecu 30bn set for it this year.

Officials yesterday stressed that the Brussels deal would also send the right signals to the Community's partners in the Uruguay round of international trade negotiations within the General Agreement on Tariffs and Trade, because EC support had been frozen at current levels.

Britain's price rises do not result from across-the-board increases in subsidies but from the green pound devaluation. Strong-currency countries such as West Germany and the Netherlands with much smaller green rate adjustments will face a basic price freeze for the year, although there have been some adjustments in other areas inducing the 11 ministers to agree, with only France abstaining.

The package maintains a price freeze on most products in Ecu terms for the third year running but softens the effect in member states by currency and other technical adjustments.

Two elements seem to have clinched the deal. First, the Commission is to shorten the time it takes to pay farmers selling cereals and other products at EC guaranteed prices from three months to 30-45 days.

Secondly, the Commission has promised to study ways of reducing the effect of the cereals tax known as the co-responsibility levy.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (DM)			
Rises			
Kaufhof	571	+	15
Falls			
Colonia Vers	990	–	50
Degussa	542	–	18.1
Horten	312	–	6
Linde	968	–	13
Varta	414	–	12
NEW YORK ($)			
Rises			
Aetna Life	46⅛	+	¾
Paramount Coms	47½	+	½
Falls			
Black & Decker	13¼	–	2⅜
Equimark	6	–	⅜
Illinois Pwr	14¼	–	1¼
Wellman	27⅜	–	1¼
New York prices as at 12.30pm.			
PARIS (FFrs)			
Rises			
Cetelem	614	+	25
Elf Gabon	1175	+	46.8
Legris Ind	649	+	24.9
Falls			
Cofimeg	375	–	10.5
Poliet	570	–	19.3
UFB	460	–	21.9
TOKYO (Yen)			
Rises			
Fuji Kosan	665	+	55
Kanto Seiki	1000	+	99
Nippon Kinz	975	+	100
Falls			
Alps Electric	2040	–	180
Hitachi Powder	1010	–	80
Suzuki Motor	631	–	79
LONDON (Pence)			
Rises			
ASDA	92	+	4
Falls			
Allied Lon Prop	80	–	8
Barclays	500	–	7
Bellway	170	–	17
BOC	498	–	14
British Gas	188	–	7
Clayform Prop	137	–	31
First Nat Fin	169	–	23
Kelt Energy	17	–	4
London & Met	93	–	15
Midland	279	–	8
Provident Fin	372	–	21
Rolls-Royce	193	–	4
Royal Ins	438	–	13
Speyhawk	151	–	12
SthWest Water	145	–	6
Trafalgar Hse	293	–	13
Unitech	330	–	14
Welsh Water	150	–	7
Wimpey (G.)	219	–	8
Warburg (S.G.)	410	–	13

WORLDWIDE WEATHER

UK today: cloudy with sunny spells but some rain in Wales and the north-west, with longer showers in W Scotland and Ulster. Outlook: Turning dry and warmer.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	19	66	Dallas †	C	17	63	Madeira	F	15	59	Prague	R	10	50
Algiers	S	21	70	Dublin	C	10	50	Madrid	F	18	64	Reykjavik	R	2	36
Amsterdam	C	10	50	Dubrovnik	F	18	64	Majorca	F	20	68	Rhodes	S	21	70
Athens	S	25	77	Edinburgh	F	9	48	Malaga	S	20	68	Rio d'Janeiro		–	–
Bahrain	F	30	86	Faro	S	21	70	Malta	S	21	70	Rome	S	17	63
Barcelona	R	16	61	Florence	F	20	68	Manchester	C	9	48	Salzburg	C	13	55
Belfast	C	8	46	Frankfurt	R	10	50	Melbourne	F	15	59	S'Francisco †	S	10	50
Belgrade	C	16	61	Geneva	C	15	59	Mexico City		–	–	Santiago		–	–
Berlin	F	10	50	Gibraltar	C	17	63	Miami †	F	24	75	Seoul	C	18	64
Biarritz	F	15	59	Glasgow	C	10	50	Milan	S	20	68	Singapore		–	–
Birmingham	C	9	48	Guernsey	C	11	52	Montreal †	S	19	66	Stockholm	C	11	52
Blackpool	F	10	50	Helsinki	S	16	61	Moscow	R	8	46	Strasbourg	C	15	59
Bombay	S	32	90	Hong Kong	F	23	73	Munich	R	12	54	Sydney	F	18	64
Bordeaux	F	18	64	Innsbruck	C	14	57	Nairobi	C	20	68	Tangier	F	19	66
Boulogne	F	11	52	Inverness	C	7	45	Naples	F	20	68	Tel Aviv	S	35	95
Bristol	F	11	52	Isle of Man	C	9	48	Nassau		–	–	Tenerife	C	13	55
Brussels	C	11	52	Istanbul	T	16	61	Newcastle	C	8	46	Tokyo	S	21	70
Buenos Aires		–	–	Jersey	C	12	54	New Delhi	S	34	93	Toronto †	S	19	66
Budapest	F	17	63	Johannesburg	S	18	64	New York †	S	12	54	Tunis	F	22	72
Cairo	S	39	102	Las Palmas	C	18	64	Nice	S	17	63	Valencia	S	19	66
Cape Town	Dr	15	59	Leeds	F	12	54	Nicosia	F	25	77	Venice	S	19	66
Cardiff	F	11	52	Lisbon	S	21	70	Oporto	S	23	73	Vienna	F	17	63
Chicago †	S	19	66	Locarno	S	22	72	Oslo	F	9	48	Warsaw	F	16	61
Cologne	C	11	52	London	C	10	50	Paris	C	14	57	Washington †	S	21	70
Copenhagen	F	6	43	Los Angeles †	C	16	61	Peking		–	–	Wellington	C	18	64
Corfu	S	20	68	Luxembourg	R	10	50	Perth	S	21	70	Zurich	C	12	54

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Donald Trump in the cockpit of his first Shuttle: 'If I got the right price, I'd sell it'

Trump plans to raise cash by refinancing of prime assets

By Roderick Oram in New York

MR DONALD TRUMP, the New York real estate developer, confirmed yesterday that he is raising cash by refinancing some of his prime assets. He said he might also sell others such as the Trump Shuttle airline, which he has owned for less than a year.

"I believe cash will be king over the next two to three years," he said, stressing he wanted the money to take advantage of "great opportunities" coming in real estate, the stock market and other areas.

The junk bond market reacted badly, however, concerned that the strategy might be prompted in part by a need to support some of his projects.

The offer price, for example, of the $675m (£413m) of bonds he used to finance his $1bn Taj Mahal casino in Atlantic City fell four points to 75, taking to 15 points the drop since shortly before the complex – a riot of onion domes and kitsch – opened this month.

Analysts are unconcerned about the short-term prospects of the casino whose telephone operators greet callers with: "Thank you for calling the Trump Taj Mahal where wonders never cease." Thousands of gamblers and sightseers are flocking to spend record sums at its slot machines and tables.

Mr Al Glasgow, publisher of Atlantic City Action, a gaming industry newsletter, said: "Will it work? Of course it will. It can't miss. It's like spitting and missing the floor! It's impossible."

Some analysts worry it will fail to cover its high overhead and interest expenses during slacker months.

While Mr Trump has profited handsomely from the New York real estate market, some projects, such as his effort to rebuild a large chunk of Manhattan's Upper West Side, are a cash drain, the Wall Street Journal said in the article that triggered market concern.

But Mr Trump denied he was facing a financial squeeze. "I have the greatest assets in the world. They are all trophies, but they're all under financed," he said in a telephone interview yesterday.

He said he was increasing the debt on some of his properties to give him cash for further acquisitions.

The Trump Tower, his ostentatious Fifth Avenue skyscraper, and the Grand Hyatt hotel in Manhattan are reportedly two properties he is seeking to refinance. Similarly, "if I got the right price for the Shuttle, I'd sell it," he said.

Merrill Lynch, the investment bank, said: "We have been hired to explore strategic alternatives for the Shuttle." Mr Trump bought the airline last year from Eastern Airlines for $365m, financing it with bank loans. It shares a duopoly with Pan Am of the Washington-New York-Boston shuttle service.

US warns India of trade retaliation

By Nancy Dunne in Washington

THE US yesterday threatened retaliation against India for unfair trade practices under the Super 301 provision of the 1988 trade law. However, the Administration risked a congressional backlash by not citing Japan.

Key legislators had threatened to withhold action on important Administration trade pacts with Czechoslovakia, China and the Soviet Union if Japan was not named.

The Administration, however, has consistently made a successful conclusion of the current Uruguay round trade talks a top priority, and Japan's co-operation in this is seen as vital.

Japan has also made recent concessions on reducing barriers to trade in supercomputers, forest products and satellites and agreeing to structural economic changes. Including it on the list was therefore seen by some as "overkill."

President George Bush yesterday called on Japan to implement the recent agreements. Mr Bill Archey, vice-president of the US Chamber of Commerce, said Japanese promises would be monitored over the next months.

With Japan and Brazil, India was cited under Super 301 last year for its restrictions on the sale of insurance and controls on foreign investment.

Its tough line, both on Super 301 and in opposing US objectives within the Uruguay round, have earned it the ire of the US Trade Representative.

Brazil has promised to amend its restrictive import licensing system and to take other trade liberalisation steps.

Under Super 301, the Administration has been required for the past two years to launch negotiations with those countries deemed to have operated the worst trade barriers.

Young workers 'turn to tradition'

By Philip Rawstorne and David Churchill

PARENTS who lament the passing of old-fashioned values can take heart from a survey of Britain's young workers.

They are, it says, turning to traditional values – family life, hard work, and thrift.

Revolt is out and conformity is in, according to a survey of the country's youth culture published yesterday by Euromonitor and Carrick James Market Research.

It classes one in seven young people as "new moralists": austere, cautious and clean-living. "Young people feel themselves threatened by adult society. They see the police as antagonistic, politicians as unconcerned, banks as uninterested."

But the report adds: "Most get on well with their own parents and want to settle down and have children of their own. They place a high value on financial security and in their early 20s are already beginning to think in terms of mortgages and pension plans."

Politically, the 731 young people interviewed show a strong anti-Conservative bias.

Many have bank accounts but feel banks are not interested in them. They prefer dealing in cash. Only a minority have credit cards.

The survey, of people between 16 and 24 but excluding students and the unemployed, also suggests the emergence of a less appealing traditional response to insecurity – hostility to minority groups.

But 86 per cent also agreed that colour should be no obstacle to getting a job.

About a fifth of the group spend a lot of time and money in pubs and clubs, spending on average £14.52 a week on drinks and related leisure.

● The Henley Centre for Forecasting, the marketing consultancy, says British companies are missing "a significant marketing opportunity" by failing to target products at black consumers who, it says in a report published yesterday, have an estimated annual spending power of £5bn.

Planning Consumer Markets, Henley Centre for Forecasting, 2, Tudor Street, London, EC4Y 0AA, £875.

Young Britain, A Survey of Youth Culture in Transition. Euromonitor and CJMR, 87-88 Turnmill Street, London EC1M 5QU, £4,500.

THE LEX COLUMN

Not too late to sell in May

It is hard to remember when the London equity market has been bombarded by such a stream of bad news: the second worst trade figures on record, an ugly profit warning from Midland Bank and an ever-increasing number of quoted companies going into receivership. Throw in another nasty upward lurch in bond yields on both sides of the Atlantic, and it is possible to argue that this week's 3.7 per cent drop in the FTE-SE 100 could have been considerably worse.

Nevertheless, it would be dangerous to underestimate the psychological damage wrought by the market's setback over the past fortnight. Until Easter, this year's 10 per cent drop in the market could still be regarded as a modest correction in a long bull market. Indeed, the FT-SE's ability to trade above the 2,200 level for so long in the face of an increasingly hostile political and economic climate was regarded as an expression of underlying strength. However, this week has been different. Each time the market has dipped, buyers have been tempted back in, only to find the market falling away. This is what a bear market feels like.

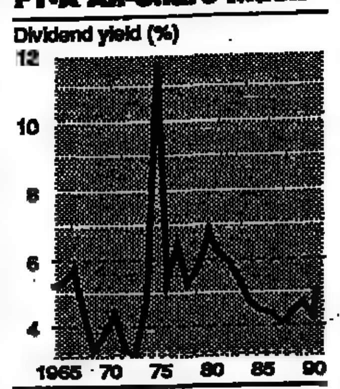
Admittedly, the market is selling on a prospective yield of 5¼ per cent and a shade under 10 times earnings. Over the long term this can be considered as fair value. But in its present mood the market has scant respect for these benchmarks. The equity market rose by a third last year when the gilt market fell. And even this year's setback in the equity market has been nowhere near as severe as the 17 per cent drop in long bond prices.

The gilt market certainly has more to fear from a Labour government than the equity market. But with interest rates rising in the US and growing inflationary concerns in the UK on the back of a weak currency, it is difficult to see gilts recovering in the short-term. Until they do there are going to be plenty more weeks like this one in the equity market.

Composite Insurers

Nobody who was in the City in 1974 will forget how insurance company balance sheets wilt in bear markets. After Midland's profits warning and signs of acute pain in commercial property, it is not alarmist to point to what declining asset values do to composites. Much of the 24 per cent fall in Royal Insurance's shares since January 1 has been due to the UK's wind-storms and protracted price competition. But yesterday's 13p fall to 438p reflects legitimate concerns about the way a falling capital market eats away at an insurer's financial base.

FT index fell 17.4 to 1,658.7



The solvency margin – net worth to non-life premiums – is making a comeback as a figure to think about. With end-1989 shareholders' funds of £2.08bn, Royal's margin was 56 per cent. That is a comfortable 39 points above the EC's legal minimum, but much lower than the sector average of 83. Then look at Royal's portfolio: £1.37bn in ordinary shares; £397m in property; and investments such as 20 per cent Germany's Aachener und Muenchener, whose shares have been falling sharply.

Barring global financial apocalypse, Royal's solvency margin is not going to drop anywhere near the legal minimum, even after the UK storms. Royal says it would be surprised if its solvency margin were less than 40 per cent. But a low margin inhibits an insurer's freedom to invest and grow its business and dividends. Royal may not want a rights issue; but sometime in the early 1990s it might have to have one, given European insurance's new emphasis on size.

GrandMet/Elders

Mr John Elliott's attitude to the Monopolies and Mergers Commission must by now be one of pure hatred. He has been referred three times: on Allied Lyons, Scottish and Newcastle and now the Grand Metropolitan deal. For GrandMet, the latest reference is damaging but not crucial. For Mr Elliott, it could prove a disaster.

The difficulty lies not with Elders itself but with Harlin, the private vehicle through which Mr Elliott and friends own 55 per cent of Elders' equity. Harlin's borrowings are vast – close to A$3bn by some estimates. Its collateral consists of its Elders shares, which are daily dropping in value – by 5 per cent yesterday, for instance. As a result, Harlin now appears to have negative net worth. The suspicion is that it will shortly be in technical default, which on a worst case might lead to 55 per cent of Elders' equity being on the market.

The GrandMet deal is of central importance here. Elders and GrandMet were both to borrow heavily against the value of the pub joint venture; Elders was then to pay a special dividend of A$0.50 a share – the present Elders share price being A$1.74 – of which 55 per cent would duly go to Harlin. All that is frozen for four months while the MMC deliberates; and even the sale of Elders' brewing interests – which has lately been rumoured in Australia as an emergency measure – could be direly complicated.

Meanwhile, GrandMet must retain a brewing operation which it has long since ceased to cherish. Perhaps more important, it must forego the cosmetic effects of paying off balance sheet debt with cash raised against the value of the pub joint venture. However, brewing has long since ceased to play a central role in its operations. By contrast, yesterday's ruling strikes at the heart of Mr Elliott operations.

Water bids

The prices of the privatised water stocks have been so battered by political concerns that yesterday's decision by the Government to delay the Three Valleys merger caused less upset than it might have a couple of months ago. If Labour really is going to be returned to power, investors can probably forget promises of above average dividend growth for the rest of the decade. The shares remain a classic punt on a Tory election victory.

Nevertheless, the delay is a blow. There was plenty of sense to the Three Valleys merger proposal. It seems that the new Director General of Water Services is intent on preserving as many water companies for comparative competition reasons as possible. While this is understandable, there must be a worry that he is going to perpetuate an inefficient structure in an industry overdue for rationalisation.

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FINANCE & THE FAMILY

An angry **Clay Harris** attacks Barclaycard's decision to levy an annual fee while **David Barchard** examines the way it was imposed

Cut it up and send it back

YOU DO NOT need a Barclaycard. Cut it up and send it back. Moreover, tell Barclays that you do not intend to buy any of its financial products, and consider moving existing accounts elsewhere. This is one clear-cut opportunity to influence the evolution of consumer finance in the UK.

Barclays' decision to introduce an £8 annual charge for its Visa card is the latest attack on thrifty and financially sophisticated consumers who pay off accounts in full each month, using the "float" to their own advantage. It follows a Monopolies Commission report which found that *such cardholders* were subsidised by those who fail to clear their accounts each month, and who now pay annual percentage rates ranging from 19.8 to 29 per cent.

Lloyds Bank was quick off the mark in introducing a £12 annual fee for its Access card earlier this year. It lost 650,000 Access accounts. Now Barclays, with 9m Visa cards in circulation, is setting out to "change the charging structure for credit cards in the UK," *according to* Ken Bignall, chief executive of its Barclays' central retail division. This was necessary, he said, because "more and more customers have begun to regard their credit card as a convenient payment method, rather than a means of borrowing."

In other words, instead of being credit junkies, many consumers have learned to manage cards to their own advantage, not that of the banks. And after two decades *of pushing cards at consumers*, Barclays is now trying to transfer tens of millions of pounds from their pockets to solve its own profit difficulties.

The Consumers' Association is forthright in its assessment. Barclaycard holders worse off under the new regime will include not only those who pay up in full to avoid interest charges, but also many those who use their cards to borrow. This is because the decision to start charging from the transaction date will offset the 5.2 percentage point cut in the interest rate charged.

"The only people who are likely to benefit from the interest rate cut are those who use *their credit cards over* longer periods and end up paying a lot of interest," the association said. "Our advice to anyone who is worse off is to cut up your Barclaycard, send it back and take out a different card."

Other UK issuers of Visa cards are taking a broader view than Barclays. "We look at the total value of the customer relationship," says Mark Christopher of Save & Prosper. S&P, and other aggressive card-issuers such as Chase Manhattan, are using Visa to get their feet in the door to sell other products. "The Barclaycard holders who pay off in full each month are most likely to have high current account balances and be customers for Barclays investment products," says Christopher. S&P is heartened that 10 per cent of its Visa holders now also hold other products from the group.

Similarly, the TSB group – the portfolio of which now includes Mastercard as well as Visa – describes prompt payers as "a loss, but not a dead loss." It, too, is prepared to establish a relationship for the future. This is why cardholders who cancel should make clear to Barclays that it is not just losing an unprofitable account – but also the chance to sell them other products.

As you prepare to cancel your Barclaycard, here are a *few suggestions:*

■ If you have iron self-control, this is a good opportunity to apply for several free Visa and Access/Mastercard accounts. You need not use them but you will have flexibility to react to changes in conditions and interest rates.

■ Do not be tempted into switching to Barclays' Connect or any other debit card. It is to your advantage to keep as much money in an interest-bearing account for as long as possible.

Two free Visa cards, from Co-operative Bank and National & Provincial Building Society, can give the advantages of a debit card without the drawbacks. Both accounts pay interest on credit balances – Co-op at 9 per cent, N&P at 6 per cent on balances under £500 and 7.6 per cent over that figure.

Accounts are debited when transactions are received, so this is not as advantageous as paying the bill in full at the last minute. But it could may be useful if you worry about remembering to pay on time or are going overseas for an extended trip.

■ Do not fret about saying goodbye to Profiles, the Barclaycard points programme under which gifts and holidays can be earned. Other free cards have similar schemes. *Which?* magazine argues that all are "a waste of time" for cardholders who pay interest and "harmless fun" for others. *Also, Profiles* has twice suspended awarding points for two months at a time; one such "holiday" is under way at present. But redeem your points (noting that they can be donated to charity) before cancelling your card.

■ If you have an outstanding balance on Barclaycard which you do not want to pay off, shop around. Several Visa issuers offer gifts as an inducement to switch your debt to them. TSB Mastercard gives a £25 credit per £1,000 transferred. Better deals may emerge.

Barclays argues, with strong evidence in its favour from elsewhere in the world, that charges for bank cards are inevitable. But even if the tide appears to be is moving in Barclays' direction, it is in consumers' interest to delay, and perhaps to prevent, this happening. The best way is to vote with your custom, letting Barclays know *why you* are doing so, and to reward financial institutions which give you the best deal. National Westminster, Midland, and other banks and building societies will be watching.

C. H.

UK CREDIT CARD INTEREST RATES

Issuer	Monthly %	APR %
BCCI(no fee)	1.90	25.3
BCCI(£5 fee)	1.50	19.6
Bank of Scot.	2.20	29.8
Barclaycard(£8 fee)**	1.85	27.8
Chase Manhattan	1.85	24.6
Clydesdale Access	2.20	29.8
Cooperative Bank	2.20	29.8
Fleming/S&P(£8 fee)	1.625	22.7
Fleming/S&P(no fee)	1.85	24.6
Girobank	2.10	28.3
Halifax	2.125	28.7
Leeds Permanent	2.15	29.0
Lloyds Access(£12 fee)	1.90	26.8
Midland Visa/Access	2.20	29.8
Midl. 'Firstdirect' Visa	1.73	22.8
Midland Indigo(£15 fee)	1.50/80*	25.7
Nat. Provincial	1.65/73*	21.8/22.8
NatWest Visa/Access	2.20	29.8
Roy. B. of Scot. Visa/Access	2.20	29.8
Standard Chartered	1.90	25.3
Town & Country Visa	1.50	19.5
TSB Mastercard	2.20	29.8
TSB Trustcard	2.50	31.3
Yorkshire Bank	2.15	29.1
Other		
Amex Optima†	1.50	21.6

**Barclaycard details effective mid-June *monthly % depends on amount credited. †Issued to Amex customers only - APR will increase from [illegible] to [illegible] on 1 May. Note: Cash advances normally have a higher APR. Source: Robert Fleming/Save & Prosper

Bad news in a gift wrapper

SELDOM HAS bad news been delivered in such an attractive gift wrapper as the £8 annual charge being introduced by Barclaycard from June. And it is not difficult to see the reason why. Barclaycard has 9m cardholders, roughly double the number of any other UK credit card issuer. It has most to lose from introducing a fee if customers revolt by returning their cards.

Conversely, Barclays also has most to gain from the fee *even if its customers do revolt.* Lloyds, after 650,000 defections, will be lucky to rake in £30m this year from its £12 fee. Barclays would still earn £36m from its £8 fee, even if half its customers return their cards. In practice, it will probably gain around £60m in extra income, which is good news for the bank's profit and loss account and also for the shareholders.

Meanwhile, 9m Barclaycard holders face a choice on whether or not to hand their cards back and close their account. They will have a year to consider their choice. Because the Office of Fair Trading criticised the way Lloyds introduced charges on its Access card, Barclays is giving all its customers that period in which to decide if they want to send their card back and get a refund of the fee.

Charges for credit cards are new in Britain, but card holders almost everywhere else in the world pay a fee – and it is not always as low as £8. In Germany, for instance, a Eurocard usually costs DM60 (around £22). And now that Barclaycard and Lloyds have introduced charges, it is probably only a matter of time before the other large UK banks do the same.

Although the Royal Bank of Scotland this week renewed its undertaking *not to introduce* any charges on its credit cards, National Westminster and Midland are likely to bow to market pressures eventually. But smaller card issuers at the other end of the market, such as Chase Manhattan or the *Town & Country building* society, may hold out against introducing a charge although they cannot handle anything like the number of cardholders as the Access banks or Barclaycard.

To ensure that as few customers as possible return their cards, Barclays has put its proposals together inside a package which it calls the New Deal. For anyone who uses credit cards a lot, this could be tempting. Apart from a lower rate of interest (1.85 per cent per month compared with 1.9 per cent on Lloyds Access and 2.2 per cent on the other main credit cards), Barclays is offering:

■ A free MasterCard (that is, a card useable on the MasterCard/Eurocard/Access network) alongside the traditional Visa Barclaycard. This could be attractive to those Barclaycard holders who also have Access cards – probably around 4m of them.

■ Free purchase protection insurance for 100 days on goods costing more than £50 that are bought with the Barclaycard.

■ Free international traveller assistance services providing emergency cash and legal and medical help. These last two services are the sort of things

that come with American Express cards for an annual fee around 4.5 times that being charged by Barclaycard.

These fringe benefits will be expensive for Barclaycard to provide and cynics might wonder whether their cost is not going to force Barclays to put up the £8 annual fee before long. Anyone uncertain about whether to hang on to their Barclaycard should bear that in mind.

If you hold a Barclaycard and also have an Access card from one of the other large banks, you might want to consider accepting the offer of a free MasterCard and dumping the Access card when a fee is introduced for it. Alternatively, you could close your Barclaycard now and go for Access on the (possibly wrong) assumption that NatWest and Midland will have to offer their customers something that is at least as attractive as the Barclaycard package. Both banks already encourage customers *to take out* a free Visa card alongside their Access cards.

For Lloyds Access customers who have paid their fee already, the position is slightly different. As one of these – and as someone who did not find a £12 fee unduly onerous – *I have to confess that as I* heard Ken Bignall, chief executive of Barclaycard, outlining the New Deal this week, the thought occurred that I could have both Visa and MasterCard for a mere £8 if I dropped my Lloyds card, but would pay a total of £20 if I hung on to it.

Almost immediately, I realised that I had paid the £12 on my Lloyds Access card last month and am stuck with the thing for the next 11 months, whether I like it or not. And Lloyds does not have a Visa card to offer: its Visa card is a debit card linked to a Lloyds current account.

For those who use their Barclaycard only to guarantee cheques, and want to save the £8 fee, the obvious remedy is to switch to Connect, Barclays' debit card which also works as a cash machine card. You don't have to use the Visa payment facility on it, any more than you would on your Barclaycard. But if you do use your card for extended credit, then you should not be using Access or Visa anyhow but one of the "cut rate" credit cards.

Visa cards from Chase Manhattan and National & Provincial offer a monthly interest rate of 1.73 per cent. Save & Prosper *has a slightly higher* rate of 1.85 but charges only 1.65 if you opt to pay an £8 annual fee.

Ken Bignall: a New Deal

There are two drawbacks to "cut rate" cards. One is that they can take only relatively small numbers of people; thus, the rejection rate is quite high. Save & Prosper and Chase Manhattan both are using their cards to find up-market customers to whom they can sell other services. Another is that cheap rates do not necessarily stay cheap. Building society Visa cards are easier to get but, as Bignall pointed out, they are subject to the same market pressures as bank cards. A card that looks cheap today might lose its advantage *in a relatively short period by* putting up the rate it charges.

Credit cards, and the idea of making charges for them, are surrounded by clouds of intense – but not always very rational – emotion. However, when the dust settles around the new system, I suspect that most consumers will accept that a small annual charge on bank credit cards is an inevitable evil.

HOW TO SQUANDER IT – PAGE XIX

D. B.

John Edwards cautions over Pep mortgages

Watch those charges

IF YOU ARE thinking about repaying your mortgage with a personal equity plan (Pep) instead of an endowment policy, be sure to take a careful look first.

Commercial Union has just launched a Pep mortgage plan called the CU Taxsave Homemaker. It is, according to the company, "specifically designed to utilise the special tax advantages offered by Peps." It appears also to be tailored to extract the maximum possible charges.

If, for example, you take out the 25-year version, all your payments during the first year are swallowed up to meet commission and expenses. Even with the 10-year version, only 45 per cent of the first year's contributions are used to buy units – the remaining 55 per cent is absorbed by the company.

That is not the end of it, either. There is a special plan fee of £2 a month (plus VAT) and an annual administration charge of 0.5 per cent (plus VAT) of the total value of the portfolio at the end of December each year.

Furthermore, all the contributions are put into a CU Homemaker Fund, so you pay the group's standard unit trust charges – an initial charge of 6 per cent and an annual fee of 1 per cent. In addition, you have to pay extra for insurance cover, which normally is incorporated into an endowment policy

Gordon Harpin, life actuary at Commercial Union, said the company had included sufficient commission for intermediaries in the Pep mortgage plan to make it equally as attractive to sell as an endowment or unit-linked life policy. Without this kind of incentive, it was difficult to see intermediaries being interested in promoting the product.

He agreed, however, that the heavy loading of charges in the first year effectively undermined one of the main attractions of Pep mortgages – their flexibility in enabling you to take out money if your fund builds up above the amount needed *to repay the mortgage.*

The Bank of Scotland says this flexibility is a prime reason why Pep mortgages are superior to the traditional with-profits endowment policies. It points out that the mortgage Pep can also be used a *vehicle for additional* tax-free savings.

The bank's new "Savings and Mortgage" Pep invests in both unit trusts and equities, so the full maximum of £6,000 can be invested. Minimum investment is £20 a month and charges *are a lot more* reasonable. You pay a setting-up (initial) charge equivalent to 0.01 per cent of the total value: for example, it would be £100 on a £40,000 loan over 25 years. This is paid in four instalments over the first two years.

There are also *administration* fees of 0.25 per cent for the unit trust element and 0.5 per cent for the equity part, payable every six months, as well as the normal unit trust charges and dealing commission of 0.25 per cent on share transactions. You pay extra for assurance cover.

Nevertheless, it works out a lot cheaper than endowment policies where the imposition of heavy charges in the early years reduces drastically the amount being invested. And, of course, these do not enjoy the tax-free concessions offered by Peps.

The long-term effect of the tax-free concession was demonstrated by estimates issued this week by the Unit Trust Association.

It calculated that £1,000 invested in an average UK equity income fund (with income re-invested) would have produced £2,169 over five years, £6,062 over 10 years and £22,021 over 25 years.

The same fund in a Pep wrapping would have yielded £2,833 over five years, £7,429 over 10 years and £40,357 over 25 years – and there would have been no capital gains tax liability on the Pep fund profits.

The UTA said unit trusts accounted for at least 42 per cent of total Pep sales last year. Unit trust Peps accounted for 234,000 (4 per cent) of the total unitholder accounts of 4.8m. Pep schemes are now being offered *by more* than 60 unit trust groups.

MARKETS

FINANCE & THE FAMILY: THIS WEEK

Card wars: bad news in a gift-wrapped package

Barclaycard announced this week that it is to charge its 9m cardholders £8 a year for the privilege of holding its credit card. **David Barchard** examines the way it was imposed while **Clay Harris** takes a pair of scissors to his card — and advises others to do the same.
Plus **John Edwards** warns those considering taking out a Pep mortgage to beware of high charges among the contract fine print. **Page III.**

Rough ride for convertibles

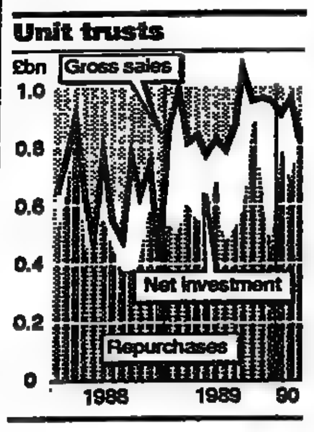
While ordinary stock market investors have found little to lift them in recent weeks, those who have chosen to concentrate on convertible stocks have had even less to cheer about. **Terry Dodsworth** reports. Plus **John Edwards** on the latest gross interest accounts from building societies and **Eric Short** on why the insurance ombudsman is getting tougher with companies. **Page V.**

Minding Your Own Business

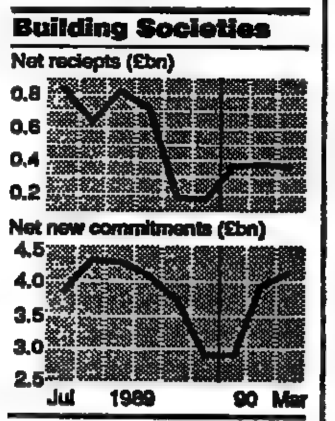
This week: a former insurance salesman who makes a living from the published history of murderers, vagabonds and thieves; a former sailor who found a living among the slate heaps of Wales; and a couple who found the cost of running their own luxury hotel rather more than they bargained for. **Page VII**

■ **BRIEFCASE:** Tax relief on gift of shares — **Page VI**

Unit trusts



Building Societies



A bad month for unit trust sales

March was a disastrous month for the UK unit trust industry. The collapse of the Tokyo stock market resulted in institutional investors cashing-in their units in Japanese funds, while ordinary investors tended to perform the first part of the seasonal "bed & breakfast" operation, cashing-in their units and then putting the money on deposit offshore or just spending it.
As a result, repurchases of units in March soared to £844.5m, the highest level since October 1987, more than offsetting the £825.9m sales of units. This left the industry with a net outflow of £18.6m on the month. However, total funds under management still managed to rise by £373m during March to £55.5bn. *Eric Short*

Mortgage market buoyant

Net new mortgage commitments by building societies were surprisingly buoyant in March in spite of the depressed state of the property market. They edged up to £4.16bn — the highest level since September — according to the latest figures issued this week by the Building Societies Association.
The bad news for the Government was that savings went into a decline. Net receipts by the societies slipped to a low level of £363m. It appears the recent rises in savings rates have yet to succeed in bringing funds back into societies to any significant extent. However this may change with the introduction of Tessa (tax exempt special savings accounts) in January and the proposed abolition of composite rate tax next April which is already being used by societies to drum up extra business. *E S*

Savings Corporation to merge

The Savings Corporation this week gave up its struggle to establish itself in the UK unit trust industry and announced plans to merge 11 equity funds with existing Kleinwort Benson unit trust.
Kleinwort will also take over management of the Harbour Fund, a "cash" unit trust. Management of the Corporation's other three non-equity funds will be taken over by Whittingdale Securities, the gilt fund specialists.
Some 3,000 unitholders will be asked to approve the proposed transfers of assets.
Savings Corporation, a wholly owned subsidiary of the big US insurance company, American International Group (AIG), was launched in June last year with the objective of "popularising" unit trusts in Britain. However Peter Tann, chief executive, said the timing had been unfortunate, with the squeeze on interest rates discouraging investment. He said they had also misjudged the impact of the Financial Services Act in reducing the number of independent distribution outlets, particularly among building societies.
The Corporation will continue to offer marketing and distribution services but will cut its staff from 55 to 28. AIG, which is believed to have suffered losses of £18m, will retain a 20 per cent stake. *John Edwards*

Classic car index launched

A new index, charting the investment performance of pre-1970 classic cars, was launched this week by Coys of Kensington, a London-based firm of specialist valuers and auctioneers. The Coys Index, to be published quarterly, is divided into two classes: class A cars worth over £100,000 and class B cars valued at between £50,000 to £100,000. Annual subscription to the investment market report, which includes a copy of Coys Value Guide and quarterly updates, is £1,500. *J E*

LONDON

Forget the bad news, watch for the disasters

NO NEED to look very hard for bad news on the stock market this week. The FT-SE Index has fallen by more than 80 points on the week for a total loss of 5.2 per cent over what has proved an extremely gloomy three-week Easter trading account.

Chart support levels, those magic figures worshipped by some market professionals, have gone down like ninepins, and strategists who less than a fortnight ago were prepared to fight to the death for the honour of FT-SE 2,200 are now resigned to doing the same for 2,100.

Wednesday's announcement of a UK March trade deficit of £2.18bn must bear most of the blame for the latest setback in equities; yet, dreadful though the deficit figure certainly was, the stock market stood up quite well at first and, indeed, tried to rally on the day. The final, damaging blow for share prices came from the fall in UK Government bonds and in sterling.

In fact, the reaction by share prices to trade figures which were freely described as disastrous could be seen as surprisingly modest. Selling of equities was no more than slightly higher than earlier in the month — indeed the low level of market turnover remains the most potentially dangerous factor in a marketplace now hardened to marketmakers' utter unwillingness to take stock on board when sellers knock on their doors.

In part, this relatively stable response from equities may have owed something to the confident references by the Treasury, and John Major, the Chancellor, to special factors affecting the trade figures. But it probably owed more to the market's perception of interest rate prospects.

From the equity viewpoint, the interest rate argument stands much as it did before the March trade figures; that is to say, sterling is still higher than it was before Christmas, which was the last time we had a serious bout of base rate willies, and the political obstacles to another rate rise are even more overwhelming in view of the local elections on May 3. Such arguments may sound over-simple but they have served the equity market well for several months now.

However, this week market has been deeply perturbed by the flow of corporate news which ranged from mere profits warnings to actual trading losses, share suspensions and even the appointment of liquidators.

This was none the more welcome for being widely predicted. Laura Ashley, once a retailing star, passed the dividend; shares were suspended in Anglia Secure Homes and Benlox; Rush & Thompkins, the construction industry group went into receivership.

Not good news at all; the mood in the building and construction sectors of the stock market "has been, is and will be for some time to come, one of deep gloom," said one old hand in the sector.

"The way share prices of some of the smaller building groups are starting to crack tells me there are more companies about to go the the wall or at least to seek help from the banks."

Such fears were more roundly emphasised by Sir Kit McMahon, chairman and chief executive of Midland Bank, in his warning to the annual meeting of the effects of high interest rates and a worsening of the bad debt position on the UK loan portfolio. The equity market was shaken, not so much by the content of Sir Kit's speech as by its bluntness.

The grim words from the Midland chairman, followed by discomforting comments from the Barclays annual meeting, underlined the setback in banking stocks over the past fortnight, a setback which has acted as the market's early warning system on the corporate front.

The market lost another two of its important props in the latest developments on the takeover scene. The widely expected collapse of Hoylake's £13.5bn takeover assault on BAT Industries, although taken relatively calmly this week, may serve to squeeze out what is left of last year's outbursts of speculative frenzy. Takeover speculation had a lot to do with the equity market's refusal to face the facts of economic life at that time. And Saint-Gobain's dramatic outbidding of BTR for Norton, the Massachusetts abrasives manufacturer, had a dampening effect on the London market.

With the domestic takeover scene now less promising and the corporate profits picture positively horrifying, the market is in poor shape to face the the UK local elections at the end of next week. Another hammering for the Government looks inevitable in view of the latest NOP poll showing the Labour Party 25 points ahead of the Conservatives; this will fuel equity market fears that non-UK investors will back away even further from UK stocks and that the privatisation stocks will be particularly exposed.

The question of the hour must be just how serious is the outlook for equities. Is there worse to come, and if so, how much?

First, note that there has been little serious selling this week, and indeed no institution which bought stock before the end of October last year is losing money — yet. The pain is more acute among trading firms, which are already shedding more staff as they struggle with desperately low market volumes.

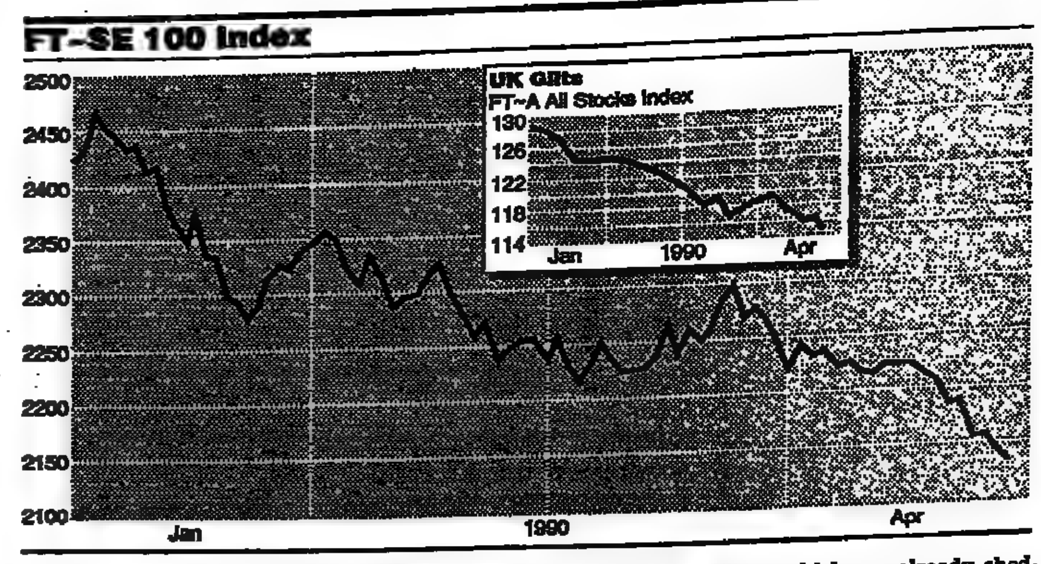
But that does not mean that the worst is over. Kleinwort Benson, which two months ago was among the first to turn bearish on London and is sticking with a forecast that the FT-SE will fall to 2,000 within months, says that short term worries still tip the investment decision in favour of cash rather than equities. S.G. Warburg, meanwhile, reminds readers that the global backdrop is also "less than positive."

Robin Aspinall, director and technical analyst at Hoare Govett, admits that the market mood turned "pretty desperate" when the FT-SE 2,200 mark was swept aside. He sees no significant support now until FT-SE 2,050 is reached, which could be within a few days if the present downward pace is maintained.

That would take us back to inter-day trading levels last seen in the middle of October, and would, says Aspinall, offer a convincing basis for a sound recovery. But bear in mind that the Footsie Index has not closed near to 2,050 on any day for the past 12 months; so, perhaps any tendencies towards optimism should be restrained for the time being.

Terry Byland

FT-SE 100 Index



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1990 High	1990 Low	
FT-SE 100 Index	2106.6	-80.5	2463.7	2106.6	Increase in March trade deficit
AB Ports	531	-43	666	531	Mishandled selling order
BTR	399	-21	473	392	Loses Norton Co bid
Barclays	500	-36	599	497	Corporate bad debt concerns
British Gas	188	-17	245	188	Political worries
First Nat Finance	189	-36	253	189	Brokers' downgrades
Hambros	229	-35	328	225	UBS P & D 'sell' recommendation
Lawrence (W)	55	-19	96	55	Small builders very weak
Midland Bank	279	-37	404	275	Bearish AGM statement from ch'man
Mora O'Farrell	210-	-156	433	210	Profits warning
Royal Bk Scotland	153	-22	227	150	Weak banks
Saatchi & Saatchi	86	-22	275	81	Industry nervousness
Trafalgar House	293	-31	382	289	James Capel downgrading
Warburg (SG)	410	-49	525	410	Corporate activity/mkt turnover shrinks
Wessex Water	139	-12	189	137	Political worries

WALL STREET

'Foreigners' to the rescue

BTR's LOSS this week was Wall Street's gain. The withdrawal of the British company's bid for Norton, the US abrasives group, in the face of a far higher offer from Saint-Gobain of France helped steady Wall Street's nerves — at least briefly — after a long run of lousy news.

The speculative takeover froth that buoyed up US share prices throughout the 1980s was largely blown away last year after the collapse of the buy-out for UAL, the parent company of United Airlines, and the steep decline in the price of high yield "junk bonds," which financed much of the takeover boom.

But this week's bid by Saint-Gobain demonstrated not only that there is still some life in the takeover wave, but also that foreign companies are prepared to pay some very fancy prices for strategic niches in the American market.

At $90 a share, the Saint-Gobain offer was 20 per cent above BTR's bid — which had initially been considered fairly full — and represented well over 20 times earnings for a humble abrasives and ceramics group with a lacklustre profits record.

So far this year it is foreign companies — French, British and Japanese — which have made the biggest splash in the takeover pool and that trend may well continue, with the tightening credit markets making it harder for US companies to raise bid finance.

So Wall Street rejoiced — but only briefly. On Wednesday the Dow Jones Industrial Average actually rose after a five-day decline of 111 points, but the increase was a modest 11.94 and volume light. Advancing stocks on the New York Stock Exchange led declines for the first time since April 12.

Thursday saw another modest upward movement, on the back of some better than expected quarterly earnings figures, but the overall mood is hardly bullish. That is because both the bond and equity markets remain obsessed by inflation. Indeed, on Thursday the price of government securities fell sharply, sending the yield on long bonds through the psychologically important 9 per cent level for the first time in a year. If bonds stick there, the widened differential between fixed interest and equity yields is bound to put pressure on share prices.

All week the markets had been anxiously awaiting the Government's first quarter figures on GNP growth and inflation, which came out yesterday. They proved a mixed bag which gave little comfort. GNP expanded at an annual rate of 2.1 per cent, well below the consensus forecast among brokers' analysts, pitched between 2.5 and 2.7 per cent, which was deemed likely to stoke the inflationary fires.

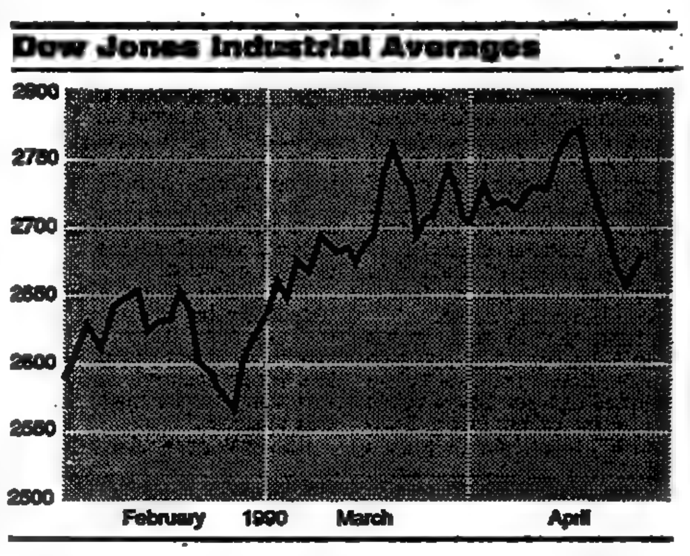
However, the figures showed prices rising faster than the market was expecting, at 5.7 per cent or 6.5 per cent, depending on the statistical measure used. It remains unclear whether inflation is approaching a level where the Federal Reserve is likely to tighten monetary policy, or whether the first quarter figures are an aberration due to one-off factors, and that the economy contains the seeds of a slowdown as credit contracts. Banks, facing pressure from regulators over problem borrowings, are taking a tougher line on loans.

The market's concern with the sector's exposure, both to the problem real estate market and to companies which assumed very high levels of debt in the 1980s takeover binge, was underlined yesterday when Standard & Poor's, the credit rating agency, downgraded the long term and most of the short term debt of Citicorp, the nation's largest bank. The agency said it was doing so because of the bank's "aggressive" posture in maintaining levels of capital and reserves for possible loan losses well below those of competing houses.

Meanwhile, a new name was added this week to the long list of companies which have sought protection recently from creditors under Chapter 11 of the US bankruptcy code. Ames Department Stores, the nation's fourth biggest discount retailer, finally succumbed to pressure from creditors and suppliers. It joins a list of retailing bankruptcies which includes such big department store names as Bonwit Teller and Federated and Allied.

Many of these fall victim to over-borrowing. Ames simply bit off more than it could chew managerially when it took over another struggling chain two years ago. But despite these headline upsets the retailing climate is not too unhealthy. Success simply depends, as always, on tight management controls, sensible finance and a strong selling formula. That was demonstrated convincingly this week when Britain's BAT Industries sold one of New York's most successful stores, Saks Fifth Avenue, for a remarkable $1.5bn. The buyer was Investcorp, a Bahrain-based group, so from sandpaper to silk scarves, it was the foreigners' week on Wall Street.

Dow Jones Industrial Averages



Monday	2666.67	— 20.28
Tuesday	2654.50	— 12.17
Wednesday	2666.44	+ 11.94
Thursday	2676.58	+ 10.14

Martin Dickson

JUNIOR MARKETS

Buy long and keep hoping

WITH confidence in the small company sector at a low ebb, the best that is usually said for the junior markets just now is a cheerful but modest exhortation to "buy selectively on a long term view." Hoare Govett's spring review continues this tradition. After a somewhat bleak review of immediate prospects, it concludes that "companies with excellent longer term prospects, good management and, in many cases, which also have solid balance sheets, are currently on ratings that must over the next three years offer excellent value."

In the short term, Hoare Govett thinks there is no reason to believe that general sentiment will shift in favour of small companies. "The 1990 interim season overall is likely to look disappointing," it says. Cautious statements will be the order of the day and companies may take advantage of a perceived bad year to "clear the decks," it reasons.

Hoare Govett also points out that average debt for a USM company is still rising (by around £1m since last November, to £3.2m). It does not rule out further casualties like Sock Shop which, it believes, could have ridden out its problems if it had not been geared so highly. Overall, however, it concludes that the USM's balance sheet is still solid.

Looking ahead to the end of the year, Hoare Govett thinks that sentiment could swing back in favour of smaller companies if there is a strong rally in the stock market as a whole. It points out that small companies, generally with low overseas exposures, should benefit directly from domestic recovery. Lower interest rates would have an immediate and direct impact on profits — a three point fall, would, on average, represent nearly a 6 per cent uplift.

Furthermore, the USM's traditional premium over the past year had evaporated completely after a year of substantial under-performance. At the end of 1988, the historical price/earnings premium was nearly 30 per cent. Now, the rating stood on a first-ever discount of 3.5 per cent.

Ratings seemed to be focused solely on the short term, giving absolutely no credit for the proven ability of smaller companies to grow at a faster rate over the longer term, the review says.

Finally, it makes the point that when the swing does occur it could be fast and dramatic, aggravated by the difficulties in obtaining stock in small companies.

Accordingly, says Hoare Govett, investors should get going in the third quarter despite the poor interim results' season. It adds: "Given that small companies cannot in our view be finessed, when the timing to move back looks 50 per cent right, it may already be 100 per cent too late."

With difficult trading conditions and a subdued market, a growing number of restructurings, management changes and mergers can be expected. In the electronics sector, this shake-out has started already.

Last month Pericom, a USM-quoted computer services group, recommended a bid from its rival Ferrari Holdings — which last autumn took a 30 per cent stake in another USM-quoted computer services company Telecomputing. Another USM old-timer, Alphameric (which moved up to the main market in 1986), last month announced a major shake-out and a forecast of a £11m loss.

This week the spotlight swung on to Microvitec, a computer peripherals company. At the end of the company's annual general meeting, David Burnet resigned as chairman, saying he had never had the support of the company's major shareholder. This is the latest move in a series of boardroom battles that have accompanied the chequered fortunes of the company.

Founded in 1979 by John and Tony Martinez, the Bradford-based Microvitec thrived for a time by spotting a gap in the market. It joined the USM in 1984 on a wave of high-tech euphoria and a lofty p/e rating of 35, but things started to go downhill soon after.

John Martinez left the business in February 1981 but Tony Martinez continued as chairman until December 1987, when he resigned after pressure from fellow directors. But as the company's largest shareholder, with nearly a third of its capital, he was able to show his disaffection with the incumbent management.

As a result, the board resolved to find a new chairman behind whom all the shareholders could unite. They believe they have succeeded in this with James Bailey, the former head of Gandalf Technologies, a Canadian electronics companies.

Bailey, who is being joined by four other new directors, is enthusiastic about the company's potential when he has harnessed his North American connections and production skills. But even if it succeeds in lowering manufacturing costs and increasing sales, he reckons that the company will need to grow by acquisition. This, he believes, will be a general trend in the sector as companies pool their different strengths. "There is a need for small companies to get together," he says.

Vanessa Houlder

Chairmen cast gloom over banking sector

TO HAVE one UK clearing bank chairman issue a warning about trading conditions may be described as unsettling. But to have two in the same week is downright chilling.

First it was Sir Kit McMahon, the former deputy governor of the Bank of England who now heads Midland Bank. At his annual meeting on Tuesday he went through a litany of woes: the pain of the Government's high interest rate policy, intense competition among banks and mounting bad debts, and concluded: "These factors are inevitably having an adverse effect on our profits, which are currently running well below the level achieved in the very different conditions prevalent in the first half of last year."

Two days later it was the turn of Barclays, the largest clearer. Deputy chairman Sir Martin Jacomb said: "It is clear that the current economic situation in the UK is beginning to have an adverse effect on some of our customers. This is inevitable and will lead to some increase in provision levels."

But, unlike Midland and its grim warning about profits, Sir Martin went on: "I can say that our trading performance in the first quarter was satisfactory."

No-one in the City can remember when clearing bank chairmen last spoke out like this, which is why the statements sent jitters through the market and added to the general feeling of malaise.

However, to anyone who has been following bank stocks recently it should have come as no surprise. After the traditional bout of euphoria which accompanies the results season in February, all the major bank shares have fallen well back from their 1990 highs.

The reasons are only too plain. The monetary squeeze has choked off loan demand, particularly in the mortgage market which provided banks with their best business growth over the last couple of years. High interest rates are squeezing margins, and the volume of bad debts is rising as it always does at this stage of the economic cycle. And when business is slack, banks compete even more fiercely for business, and shave their profit margins.

The question is how acute these problems are. Analysts have concluded that Midland is probably hurting the most. It had a poor set of results last year and lumbered itself with a badly mismatched book after gambling last year that interest rates would fall. Sir Kit had already warned that this would continue to hurt profits this year.

Barclays is more strongly placed and, judging by Sir Martin's statement, is managing to raise profits. But Barclays skimped on its provisions for bad debts at the end of 1989, so it may have some catching up to do this year.

HOW BANKS SHARES HAVE FALLEN

Bank	1990 High	F'day close	Chge %
Barclays	599	500	-17
Lloyds	307	250	-19
Midland	404	279	-31
NatWest	360	307	-15
Abbey Nat.	196	179	-9
TSB	147	124	-16
Roy. Bank of Scot.	227	153	-33
B. of Scot.	125	109	-13

Neither NatWest nor Lloyds made any statements about current trading prospects at their annual meetings this week. This probably means that business is satisfactory, though they cannot be entirely immune to the tougher environment.

Some quite encouraging results from the Bank of Scotland showed that all is not doom and gloom. The Edinburgh-based bank was ahead by 8.6 per cent at the pre-tax level despite hefty increases in bad debt provisions both for Third World loans and regular lending. Bruce Patullo, chief executive, said business was slackening off, but there were still plenty of opportunities.

Investors must now ask themselves if the worst has been discounted by the market.

We certainly have not seen the end of the bad news. Whether or not this week's bad trade figures force through another rise in base rates, the number of bankruptcies will continue to grow and there may even be some big names joining the list. But some analysts see attractions in the bank market at the depressed levels.

Peter Toeman of UBS Phillips & Drew points to the high yields available on the shares of the Big Four — about 8 per cent. He also thinks that NatWest and Lloyds, the two clearers with the thickest cushions of provisions, are buys at current levels. The TSB and Abbey National, which are less heavily exposed to commercial lending, are attractive too. Even so, he has trimmed all his profit forecasts this week by 3 to 4 per cent.

His colleague Stephen Thorn, who covers the merchant banks, is gloomy about his sector. After the strong profit recovery last year due to stronger securities markets and big fees from the takeover business, he sees business falling off sharply in 1990.

Particularly vulnerable, he says, is market leader S.G. Warburg, whose price could fall by 10 per cent. "Investors should take profits and adopt underweight positions," he advises.

David Lascelles

Insurance companies have more to answer for, says **Eric Short**

Ombudsman gets tougher

PEOPLE with grievances over their insurance contracts now appear to have a better chance of receiving a favourable decision if they complain to the Insurance Ombudsman Bureau. The report on the operations of the ombudsman for 1989 provide strong evidence that the present holder of the office, Julian Farrand, is far more radical in dealing with complaints than his predecessor, James Haswell the first insurance ombudsman.

In his report and accompanying press statement, Farrand sets out clearly the decisions made by him that have gone beyond those of Haswell in favour of the consumer. He has:

■ Started to require insurance companies to pay interest on general insurance claims in the event of prolonged and unjustified delay in settlement. The practice of paying interest on delayed claims is widespread among life companies but it is a new concept for general insurance payments.

■ Introduced the novel concept of insurance companies paying compensation to claimants for any stress arising because of delays. If this forces insurance companies to speed up claim payments and cut out unnecessary delays, as well as requiring companies to justify any delays to the ombudsman, then Farrand will have made a beneficial contribution to the operation of the UK personal insurance industry.

■ Decided that failure to disclose a material fact by the policy-holder when applying for or renewing an insurance contract should no longer jeopardise the claim completely — so long as such failure is not deliberate.

■ Re-assessed Haswell's previous decisions on restricting insurance claims on matching sets of furniture if only one item is damaged. Now, if fabric to match the existing covering is not available, he has decided that the insurer should pay not only the cost of re-covering the damaged item (as ruled by Haswell) but also half the cost of re-covering the other items.

■ Made clear to companies that they cannot rely on narrow and "gobbledegook" interpretations of policy wording to avoid claims. He will base decisions on how the policy-holder would have interpreted the words used in the policy.

Already, this has led him to overturn some bizarre interpretations by insurers. One tried to argue that because the 1988 work-to-rule by Spanish air traffic controllers was for safety reasons, it could not be defined as industrial action and was, therefore, not covered under the terms of the policy.

Another argued that because an aircraft delay arose from a computer fault, not a fault in the plane, this was not covered by the policy. In each case, the insurers got short shrift from Farrand.

Despite this new approach, however, he still gave favourable decisions to claimants in only 31 per cent of cases, compared with 20 per cent awarded by his predecessor. So, he can hardly be regarded as a consumers' champion — yet. Certainly, this is far short of a level that will cause the companies to do more than grumble at his decisions.

In dealing with life assurance claims, though, Farrand could be moving towards a head-on clash with the companies.

Life insurance was the largest source of complaints in 1989, and the ombudsman warned that salesmen promoting linked life products must be certain that potential clients had grasped the basic detail of the deal. According to Farrand,

Farrand: more radical

compliance by the salesman with the procedures of the financial services regulations was not in itself a sufficient defence if the policy-holder did not understand fully the nature of the product in which he was investing.

But Farrand wants to go further. He is critical of the present system under which independent financial advisers act as agents of the policy-holder but are remunerated by commission from the life companies.

Under this system, life companies maintain that they cannot be held responsible if the independent adviser misleads his client over any aspect of the contract sold.

Up to now, the ombudsman has not been able to handle cases where the complaint has been against the independent adviser. But, in his report, Farrand says: "I am prepared, in appropriate cases, to hold insurers responsible for the defaults of intermediaries."

His justification rests on the stance taken by the Law Reform Society for many decades — that any person who solicits or negotiates a contract of insurance should be deemed to be the agent of the insurer.

This view has been supported by various legal opinions, the latest coming last July from Lord Justice Purchas. But the "polarisation" requirements of the 1986 Financial Services Act say that anyone deemed an agent of a life company can deal only with that company's products.

In theory, taking the polarisation requirement together with Farrand's attitude could spell the end of independent advice unless the adviser is paid a fee by his client and not commission by the life company. This poses a dilemma for Tom Roberts, chief executive of the General Accident Group and chairman of the Insurance Ombudsman Board.

He is quite unperturbed about Farrand's new approach and decisions on run-of-the-mill cases. He disagrees personally with some of them but has to accept them. The insurance ombudsman has complete independence and freedom of operation. His decisions are binding on insurance companies for awards up to £100,000.

But Farrand's attitude towards life company responsibility regarding independent advisers is a basic issue with far-reaching consequences. So, Roberts feels that Farrand should not proceed any further until the matter has been debated thoroughly and publicly.

Now the ombudsman has stated his position, that debate can and should start before a case actually arises.

■ *The Insurance Ombudsman Annual Report 1989, available from the Insurance Ombudsman Bureau, 31 Southampton Row, London WC1B 5HJ. Price £2.50.*

Holders have had little to cheer, says **Terry Dodsworth**

Rough ride for convertibles

WHILE ordinary stock market investors have found little to lift them in recent weeks, those who have chosen to concentrate on convertible stocks have had even less to cheer about. If you belong to this adventurous bunch, you will have seen a disproportionate *number of leading stocks turn* into a relatively high-risk category. They include issues from British & Commonwealth, Saatchi and Saatchi, Mecca, Carlton Communications and TVS.

Although the health of these companies varies widely, all have been hit by changes in the economy or managerial problems. As a result, their ordinary shares have fallen and the convertibles have followed them down.

The decline in the convertibles should not be exaggerated. They have behaved roughly in line with the theory underlying their issue: that the additional security of assured, and relatively high-interest, payments will enable them to trade at a premium to the ordinary shares.

Thus, as the ordinary shares have come down, the value of the convertibles has tended to fall less, with the result that *the so-called premium (a formula* which expresses the conversion value into ordinary shares) has widened.

Some investors, particularly the institutions specialising in convertibles, are now taking *advantage of these gyrations to* switch between the convertibles and the ordinary shares. This strategy makes sense if you believe that the company in which you are involved can ride out its troubles over the medium term. You can sell the higher-rated convertibles to buy cheaply into the ordinary shares; then, when the tide turns for the company, you will gain the benefit in the extra rise in the ordinary shares over the related convertibles.

On the other hand, if you have little confidence in the company's ability to recover in the foreseeable future, these tactics make little sense. They would be even more risky if you thought that the group was in serious danger of collapse. In these cases, your investments would be safer in the convertible stock because you would be receiving a higher and more assured income than would be available on the ordinary shares — yields on convertibles are set at a premium and companies *have to pay out on them in* tough times when they may decide to suspend their dividends. In the event of a liquidation, convertibles rank higher among creditors than ordinary shares.

Another option would be to cut your losses entirely, sell the convertibles and re-invest in a more promising sector of the stock market well away from the exposed areas of leisure and financial services. What you should not do is to swap the convertibles for the ordinary shares, an opportunity which comes up once a year after a certain point on most convertible issues.

According to stockbrokers, this sort of action is not as unusual as it might seem. Quite a few private shareholders exercise their conversion rights when they should not be doing anything of the kind. The mechanism of convertible stocks means that holders should opt to change to the ordinary shares only when the annual dividend payments on the ordinaries have caught up *with the initially higher* (but fixed) interest payments on the convertibles.

If you really want to change over to the ordinary shares before this point, you should sell the convertibles in the *market — thus realising the* premium on these shares — and buy the ordinary stock with the proceeds. In that way, you will receive more shares than you would through conversion.

If you are stuck with stock in an unpromising company, however, you will almost certainly not want to buy the ordinary shares or convert into them. And you might also believe that the convertibles will never *realise* very much value for you. What you will have been trying to achieve by investing in the convertibles is a healthy immediate yield, some additional security, and the chance to participate in the long-term growth of the company by moving eventually into its ordinary shares.

The opportunity for enjoying this latter aspect — the growth of the business — could go out of the window if the company has suffered a severe reversal: indeed, the stock market seems to think that this could have happened at B&C, where the company is now engaged in what amounts to a forced break-up. One possibility in these situations is to hang on to the redemption date of *stock, when you will get your* money back at the initial issue value.

Virtually all convertibles have this redemption option as an alternative to conversion, although this can be exercised only at a much later date than the initial conversion rights. If the company is struggling but not mortally wounded, this approach might offer you an option without too much risk; and there is always the possibility that you could realise your investment earlier through a takeover.

The company might, however, be in a more serious state, in which case your options look bleaker. You can sell at a loss; you can hang on *for liquidation (which might* or might not give you back your original investment); or you could be caught up in a trustee action demanding early redemption of your stock.

While rare, trustee interven*tions of this kind are* always a possibility. During the past few days, for example, the trustees of B&C have been examining the terms of the covenants governing the company's convertible stock to see *if any of them have been bro*ken. If so, the trustees — autonomous legal entities who act on behalf of the convertible or loan stock holders — can take action including legal moves against the company. If *holders believe trustees are* not doing their job properly, they can force them to take action by rallying a certain percentage of shareholders.

This sort of action would occur only in extreme circumstances. *On the other hand,* the rights of some convertible holders could well be tested in the medium-term future if the glamour sectors of the bull market of the 1980s take a further hammering.

HIGH YIELDING CONVERTIBLES

Company	Conv. Date	Price(p)	Flat Yield%
B&C 4.75%	08/90-02	28	22.6
B&C 7.75%	08/90-00	41	18.9
Carlton Comm. 6.8%	03/91-05	73	11.8
Mecca 7.25%	03/89-13	49	19.7
Saatchi & Saatchi 6.3%	04/89-15	28	30.0
TVS 7.4%	03/89-08	45	21.9

John Edwards on building society offers

If it's gross, it's good

GROSS interest accounts are very much flavour of the month with building societies following the Budget *announcement that composite* rate tax (CRT) is to be abolished next April.

The mighty Halifax is joining the fray on Tuesday with the introduction of a Gross Interest Xtra account.

Deposits of between £1 and £999 will receive interest of only 9 per cent gross (or 6.75 net to the standard rate taxpayer). But the rate rises in tiers to a maximum of 15.67 gross (11.75 net) for deposits over £50,000. There is instant access and interest will be paid gross after April 6 next year.

Cheltenham & Gloucester is using its postal-only service to launch the London Investment Bond, paying gross interest at a variable 15.25 (11.44 net) on deposits of £10,000 or more. But no withdrawals can be made for the first 12 months until the bond matures in May 1991.

National & Provincial's Budget Bond, out this week, pays 15 per cent gross on deposits from £1,000 to £20,000 maintained for a year, but one withdrawal can mean loss of 60 days' interest.

Among the smaller societies, Scarborough *is seeking to* repeat the success achieved by its Chancellor Bond, which has now been subscribed fully.

It is replacing this with a *90-day notice account offering* gross annual interest ranging from 16.67 (12.50 net) for deposits between £25,000 and £1m to 15.33 (11.50 net) for deposits between £250 and £24,999.

The North of England, and Town & Country societies, however, are adopting the Halifax approach by giving instant access to their new gross accounts.

Town & Country is particularly good for small investors: it pays of 14 per cent gross (10.5 net) on deposits between £1 and £2,499, rising to 14.5 gross (10.88) for larger amounts.

The North of England gross account also favours small investors, with a rate of 14.33 for deposits between £500 and £5,000.

Nationwide Anglia is introducing a one-year bond paying net interest of 12 to 12.50 per cent depending on the amount invested. Minimum investment is £5,000 and you can't make any withdrawals for a year.

Allied Trust Bank is now offering investors in its one-month notice account the *option of receiving interest* annually, so it can be paid gross after April 6 next year. The present gross annual rate, on a minimum investment of *£2,001 is 15.82.*

All these rates are variable but the Stroud & Swindon society is offering 14.50 gross, fixed for two years, on its new share account. Minimum investment is £2,000 and the maximum £20,000. Withdrawals can be made only with the loss of 90 days' interest.

Providence Capitol has revised its Guaranteed Bonus Bond rates. For three-year bonds, the fixed net rate offered is 11.20 per cent from £1,500 to £9,999, and 11.50 above £10,000. The five-year rates are particularly competitive at 11.30 and 11.75.

The rates for one-, two- and four-year bonds are unchanged. The one-year bond pays 12.25 per cent net for investments over £10,000.

You can, however, do better than that with Acuma one-year bonds, according to Baronworth Investment Services, the Ilford intermediary.

It quotes rates of between 12.68 and 13.28 per cent net for one-year investments between £1,000 and £500,000. Over £500,000, American Life is paying *13.30 on a one-year bond.*

Homeowners goes Green

LATEST to jump on the environmental bandwagon is the Homeowners Friendly Society, which this week launched a Green Chip investment bond. The fund, advised by City stockbroker Scrimgeour Vickers, will put 50 per cent of the investment into companies with "positive ecological policies" such as Body Shop, British Gas, Johnson Matthey and Tesco. The Ethical Investment Research Information Service will be used to identify suitable stocks.

As required with friendly society investments, the other 50 per cent will be go into "narrow range" securities such as local authority bonds, government securities and building society accounts. Minimum investment is £1,000, but there are bonus allocations from 1 to 2.5 per cent on investments over £2,500, which help to offset the initial charge of 5 per cent.

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FIDELITY is launching its first new equity unit trust for 19 months with an Asean fund that will invest in member countries of the Association of South-East Asian Nations — Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Fidelity admits it is not a fund for the faint-hearted, since the markets involved are highly volatile. But the company believes they have now reached the point of offering exceptional growth potential for those prepared for a rocky ride. As a safeguard, the fund will have a high level of liquidity — around 25 per cent.

The trust will be launched on May 12 with an initial offer price of 25p until May 21.

Initial charge is 5.25 per cent and the annual management *fee is 1.5 per cent of the fund's* value.

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GARTMORE has merged two of its specialist American unit trusts into a new fund, concentrating on investing in US smaller companies. It has put its Selected Opportunities trust into the American Emerging Growth trust, which is now a distribution rather than an accumulation fund. It has 1,541 unitholders and £9.9m. under management.

Wardley also is planning to merge its British Winners and Small Companies trusts into the Wardley UK trust, which will be re-named Wardley UK Growth trust. It is also proposed to merge the Technology trust into the Wardley International Growth trust.

J. E.

The Week Ahead

ICI slips back

THE WEEK starts on Monday with first-quarter pre-tax results from Imperial Chemical Industries, seen traditionally as a bell-wether for British industry.

Forecasting a figure for the UK's biggest chemical company in these initial three months of the trading year is always tricky, as so much depends on how business gets going in the last four weeks of the period. But analysts' forecasts are in the range £340-375m, with most bunched around £360m. In any event, the figure will be well down on last year's exceptionally strong £442m.

After a sharp downturn in the last quarter of 1989, the City will be looking for a slightly better trend in overall trading. The strong points will be pharmaceuticals and agrochemicals, while the statement will be scrutinised for any signs of a better performance from speciality chemicals.

Lilley, the Glasgow-based construction group which last year failed narrowly in its attempt to take over its rival, Tilbury, also unveils results on Monday. An annual pre-tax profit of around £18m is likely, the figure forecast during the bid.

Despite Lilley's failure to secure Tilbury, such a result will represent a strong advance on the previous year's £8.09m. But followers will be anxious to know where Lilley is looking to expand now – it still retains a large stake in Tilbury – and how it is faring in the more uncertain construction climate.

Another company embroiled on the bid front recently is textile group Tootal. The question when it announces full-year results on Monday will be: is it still talking to Coats Viyella about a merger?

On the trading front, however, a worsening environment – which led Coats to cut its offer price late last year after months of deliberation by competition regulators – is expected to be reflected in a pre-tax profit fall from £42m to less than £37m.

On Wednesday, interims from Kwik Save, the discount food retailer, may prove slightly disappointing after the one-third rise in profits last year. Although sales are still recording strong volume gains, margins have come under some pressure from higher costs.

For the period ending mid-March, analysts are looking for a pre-tax profit gain of around 15 per cent from the £35.3m recorded a year ago.

Meanwhile, Tate & Lyle, the world's leading sweeteners group, is expected on Wednesday to report pre-tax profits of about £85m for the six months to March 31. At the interim stage last year, Tate made £70.1m.

The highlight of the results will be the strong performance for cereal sweeteners and starches produced by Staley in the US and CST in Europe. Offsetting this partially will be the smaller contribution from operations which have been sold, and special factors holding back the sugar division.

Tate is unlikely to make any announcement about its cautious courtship of Berisford International, owner of British Sugar. No formal bid is expected until the Government decides whether to refer a proposed merger to the Monopolies Commission.

The Royal Bank of Scotland also announces its interims on Wednesday. Given the tough banking climate described so graphically by Sir Kit McMahon of the Midland earlier this week, the market is not expecting much excitement. Analysts are predicting pre-tax profits comparable to the £171m earned in the first half of last year.

A day later, the market should see Wellcome's taxable profit pushed up from £128m to about £165m for the six months to the end of February, thanks to the success of two anti-viral drugs – Retrovir for AIDS and Zovirax for herpes.

Scotch group brings cheer to market

IN A welcome, if modest gesture towards enlivening the virtually somnolent offer-for-sale market, Invergordon Distillers, the whisky group, is this week offering to the public £40m worth of shares in a £171m flotation.

Invergordon attracts attention not simply because of the dearth of other such issues: it is also a rare addition to the tiny band of quoted companies that provide a play on the Scotch market. Among the big companies involved in this only Guinness provides the investor with a pure play on the market. There are just three other smaller quoted companies – Highland Distilleries, Macallan Glenlivet and Macdonald Martin.

When Invergordon's flotation terms were announced on Wednesday the City said that the 135p issue price, giving a prospective p/e of 11.9, looked reasonable. And, however shaky, the market should hardly have trouble absorbing the share sale, which totals £80m taking into account a portion placed with institutions at home and abroad.

However, the City is hardly jumping up and down with excitement. One key reason for caution is that Invergordon is perceived to be weak on brands, an area of its business that it has only in recent years begun to build up. Its brand names such as Cluny and Isle of Jura pale to insignificance compared with Johnnie Walker or Macallan.

Invergordon also lacks the international distribution network to control the marketing and promotion of its names. Another concern is that its brands are pitched at the middle of the market, which shows signs of polarising between the major premium brands and the cheaper Scotches.

Though it is also involved in primary distilling, much the biggest part of its business is in selling bulk and bottled-in-Scotland spirits, for example to supermarkets seeking supplies for own-label whiskies. It is seen as highly efficient at doing this.

Invergordon's recent profit history looks impressive. However, this has been against a background where the big players have chased margin rather than sales, with tight pricing and stock control policies.

The company expects improvements over the near term due to the feeding through of low-cost stocks and reductions in borrowings; its high level of debt means it would be a major beneficiary of falling interest rates. But the shadow hanging over the industry, and a producer such as Invergordon in particular, is that little volume growth is expected and it is questionable how long the price of Scotch can be raised and margins enhanced.

If you are thinking of stagging the issue, you need not concern yourself with this since it is already discounted in the price. Barring market disasters the issue is certainly expected to "get away," although with so much gloomy news hitting equities at the moment the initial premium is unlikely to be large.

The longer-term investor may feel he would be better off investing in a liquid whisky stock. But it is worth remembering that Invergordon could be vulnerable to a takeover by an international company.

Broker to the offer is de Zoete & Bevan. Applications should be in by May 3.

Clare Pearson

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
Alumasc Group	255	244	163	31.46	Glynwed Intl.
Aquascutum	550*	550	340	19.25	Renown Inc.
Do. A	200*	200	143	54.55	Renown Inc.
Camford Eng.	330*	332	244	69.0	Markheath
City Gate Ests‡	140*	138	92	19.46	Accura B.V.
Crystalate	80½§	80	73	30.80	TT Group
Early's Witney	225*§	225	226	13.17	Grovewood Secs.
Executex Clothes	26*§	26	28	0.86	Premierflag
Globe Inv. Tst	191*§	186	174½	1.03bn	Br. Coal Pen. Fd
Highland Elect.	74½	81	68	6.52	Arlen
Hobsons Pub'ing	255*	250	190	8.87	Daily Mail
Horne (Robert)	490*	482	435	70.71	Buhrmann-Tett.
Do. "A"	452*	445	371	79.79	Buhrmann-Tett.
Lancaster	185*§	175	143	31.63	Newco
Lon. & Edin. Tst.	220*§	218	175	490.7	SPP
Midsummer Leisure	142§§	109	159	74.68	European Leisure
Molins	252*	270	248	75.5	Leucadia
Mecke & Crane	83*	88	63	16.66	Wurth Hld GmbH
Pennant Group	24§ §§	22	19	4.35	Mowat Group
Runciman (Walter)	699*§♣	700	472	62.88	AB Avena
Western Motor	789*	783	675	95.59	Tozer Kemsley

*All cash offer. ††Cash alternative. ‡Partial bid. §For capital not already held. ‡Unconditional. **Based on 2.30pm prices 27/4/90. †At suspension. §§Shares and cash. ♣Including 9p dividend.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Aberdeen Petrol.	Dec	278	(362 L)	0.5	(-)	-	(-)
American Distrib	Dec	4,750	(2,940)	13.6	(11.1)	3.0	(2.25)
Andaman Res.	Dec	198 L	(53 L)	-	(-)	-	(-)
Ashley Laura	Jan	4,700 L	(20,300)	-	(6.57)	0.85	(2.35)
Bank of Scotland	Feb	193,500	(178,100)	14.3	(13.8)	4.55	(3.8)
Bank of Wales	Feb	1,200	(2,500)	-	(-)	-	(-)
Barlows	Dec	676	(795)	1.86	(2.46)	2.475	(2.25)
Berry Birch	Jan	400	(375 L)	4.3	(-)	-	(-)
Berry Starquest	Jan	172	(359)	2.3	(4.6)	1.5	(4.0)
Billam J	Dec	11	(125)	0.4	(5.2)	4.04	(4.04)
Blue Circle	Dec	231,800	(203,100)	29.5	(28.5)	11.0	(10.0)
British Fittings	Dec	5,800	(5,590)	18.7	(20.4)	7.025	(6.33)
Brit. Linen Bank	Feb‡‡	11,300	(10,300)	-	(-)	-	(-)
Cabra Estates	Dec	885	(5,400)	0.69	(5.54)	1.25	(-)
CCS Group	Nov	177	(144)	1.18	(0.92)	0.55	(-)
Child. Medical	Dec	71♥	(53♥)	-	(-)	-	(-)
CI Group	Jan	7,770	(6,130)	5.93	(5.38)	2.05	(1.8)
Co-op Wholesale	Jan	34,200§	(30,200§)	-	(-)	-	(-)
Dencora	Dec	7,080	(8,850)	25.6	(34.7)	5.5	(5.5)
Early's of Wit.	Jan	1,040 L	(11 L)	-	(-)	-	(-)
Edinburgh Inv.	Mar	43,760	(34,540)	7.84	(6.76)	7.0	(6.1)
Epicure Industs.	Dec	4,100	(2,350)	4.0	(3.69)	1.1	(1.0)
Etam	Jan	17,530	(17,460)	16.7	(17.1)	6.6	(6.6)
Evered	Dec	39,000	(30,000)	15.0	(14.9)	5.46	(4.55)
Farnell Elect.	Jan	30,640	(27,110)	14.5	(13.5)	4.8	(4.2)
First Charlotte	Mar	220	(181)	0.22	(0.18)	0.2	(0.15)
FR Group	Dec	22,600	(22,400)	20.7	(20.4)	6.37	(5.54)
Grampian TV.	Feb	2,407	(1,966)	10.3	(8.77)	3.5	(3.0)
Haden Maclellan	Dec	17,800	(11,150)	18.2	(15.0)	7.0	(5.0)
Hammerson Prop.	Dec	75,300	(75,100)	30.3	(31.6)	19.5	(17.0)
Hartons Group	Dec	608	(4,920)	-	(3.85)	0.2	(1.7)
Hawthorn Leslie	Dec	4,670	(2,580)	1.55	(0.68)	0.65	(0.6♦)
Hopkinsons Hldgs	Jan	6,720	(243)	8.05	(0.27)	3.5	(2.16)
Hunting	Dec	48,400	(34,000)	33.9	(26.3)	9.0	(6.7)
Huntleigh Tech.	Dec	936	(638)	7.1	(5.23)	2.0	(1.0)
Jones Group	Dec§§	5,470	(5,180)	35.9	(33.8)	11.0	(10.0)
Kellock	Feb	2,700	(2,100)	-	(-)	-	(-)
Ketson	Dec	122	(980 L)	0.2	(-)	-	(1.0)
Kingston Oil	Dec®	1,150	(1,330)	11.3	(11.1)	2.86	(1.75)
Littlewoods	Dec	63,800	(71,200)	-	(-)	-	(-)
North Sea Assets	Dec	374	(-)	0.41	(-)	-	(-)
Plastiseal	Jan	1,280	(1,010)	10.8	(8.7)	3.0	(-)
Polymark Int'l.	Dec	2,010	(1,390)	12.0	(2.41)	-	(-)
Power Corp.	Dec§§	10,260	(6,410)	10.0	(8.37)	5.4	(5.1)
Quicks Group	Dec	4,000	(3,510)	19.3	(18.6)	6.0	(5.0)
Ratners Group	Feb	121,500	(86,000)	30.2	(26.5)	9.5	(7.5)
Renaissance Hldg	Dec	583	(479)	4.2	(3.99)	3.65	(3.3)
Scott. Mortgage	Mar	n/a	(n/a)	3.94	(3.03)	3.35	(2.8)
Secs. Tst. Scot	Mar	9,390##	(7,330##)	2.9	(2.26)	2.32	(2.25)
Sovereign Oil	Dec	508##	(1,080##)	0.9	(1.9)	-	(-)
Tarmac	Dec	377,000	(393,100)	32.3	(34.3)	11.25	(10.0)
Tharsis	Dec	1,620	(453)	32.5	(12.3)	12.5	(6.0)
Travis Perkins	Dec	32,800	(39,200)	22.0	(26.0)	8.0	(6.0‡)
Usborne	Dec	2,650	(2,030)	2.99	(2.06)	1.5	(1.5)
Ward Group	Dec	12,640	(7,170)	36.4	(21.7)	7.2	(5.4)
Whatman	Dec	10,280	(9,040)	30.7	(26.5)	8.25	(5.0)
Yule Catto	Dec	21,340	(17,800)	13.9	(11.7)	4.5	(3.5)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Allied London Props.	Dec	3,670	(5,520)	1.07	(1.07)
Anglo Irish Bank	Mar§§	2,900	(1,610)	1.36	(2.13)
British Empire Secs.	Mar	1,900#	(2,180#)	0.25	(0.25)
Cosalt	Mar	1,620	(2,110)	4.25	(4.0)
Cradley Group	Dec	757	(633)	-	(-)
Dale Simpson	Jan	2,500	(2,410)	3.5	(3.0)
Ensign Trust	Mar	751†	(638†)	0.3	(0.3)
Fenner	Mar	7,280	(6,450)	3.45	(3.2)
Five Oaks Invests.	Dec	431	(1,030)	0.6	(0.6)
Gleeson MJ Group	Dec	4,590	(4,360)	2.53	(2.48)
Jessups	Feb	1,010	(1,100)	2.25	(2.25)
Kalamazoo	Jan	1,290 L	(2,290 L)	-	(-)
Lyles S	Dec	301	(491)	1.5	(1.5)
MY Holdings	Feb	1,460 L	(1,440)	0.55	(0.55)
NatWest Bancorp.	Mar§	16,100†	(33,900†)	-	(-)
Rosebaugh	Dec	3,160	(4,060)	-	(-)
Sage Group	Dec	2,340	(1,440)	2.35	(-)
St Ives Group	Jan	13,600	(13,200)	1.5	(1.25)
Scottish Metro. Prop	Feb	5,550	(5,550)	2.53	(2.25)
Shani Group	Jan	755	(1,000)	1.6	(1.6)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = Loss. ‡1st quarter figures quoted in US dollars.† Earnings after tax.‡ Dividend payment for 9 months.§ Total revenue.§§ Figures quoted in Irish punts & pence.♥ Surplus before tax.® This years figures for 18 months against the year, figures quoted in US dollars & cents.§ Trading profit.‡‡ Operating profits.♦ Dividend for 16 months.†† Net revenue.## Net profits.

RIGHTS ISSUES

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

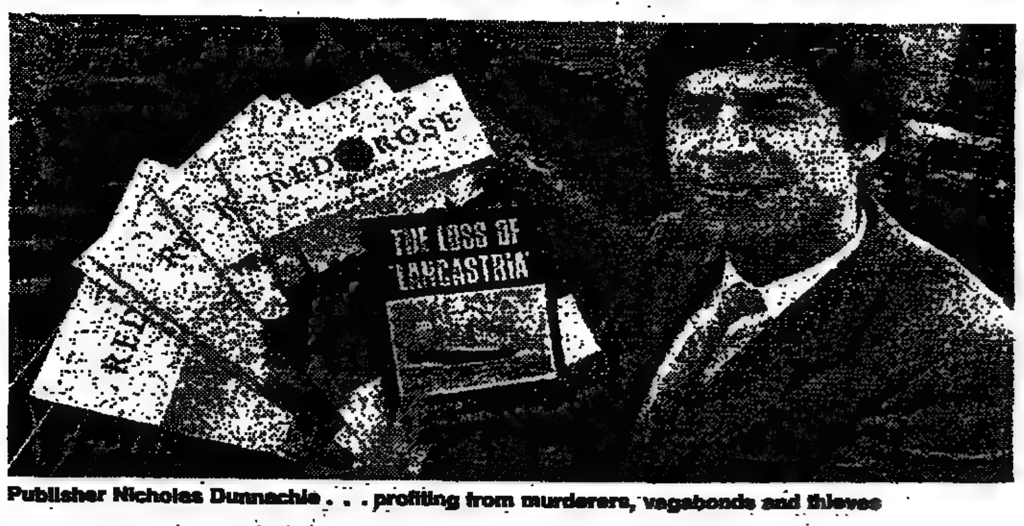
Invergordon Distillers is returning to the stock market via an offer for sale which values the company at £171.6m

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Apollo Watch Products	Tuesday	-	0.46	-
ASB Barnett Kleinings	Monday	-	1.0	-
BDA Holdings	Tuesday	1.5	2.0	-
Beattie James	Tuesday	1.1	3.4	1.2
Benlox	Monday	0.1	0.1	0.5
Blackland Oil	Monday	-	-	-
BLP	Wednesday	1.25	2.35	1.5
BMSS	Friday	1.75	2.25	1.875
Boot Henry & Sons	Friday	5.5	12.0	6.0
Cargo Control	Tuesday	-	-	-
Commercial Bank Near East	Monday	-	30.0	-
Conrad Continental	Tuesday	1.0	2.0	1.0
Davies & Newman Holdings	Thursday	4.5	12.5	4.5
Delyn Packaging	Friday	0.45	1.0	0.45
Europa Minerals Group	Wednesday	-	-	-
Fitzwilton	Wednesday‡	1.0	1.5	1.5
Folkes Group	Monday	0.55	1.42	0.45
Futura Holdings	Monday	0.5	0.75	0.5
Intercare Group	Monday	-	-	-
Lilley	Monday	0.5	1.0	1.0
London & Overseas Freighters	Monday	-	-	-
Moss Bros. Group	Monday	1.0	3.0	1.5
Optim Group	Monday	-	-	-
Propeller	Thursday	-	-	-
Rathbone Brothers	Thursday	1.5	4.0	1.8
Reva Group	Monday	-	-	-
Spear JW & Sons	Thursday	-	5.5	-
Spong Holdings	Monday	-	-	-
S&U Stores	Monday	1.25	3.5	1.5
Tootal Group	Monday	1.6	3.08	1.9
Video Store Group	Monday	-	-	-
Wensum Company	Monday	-	-	-
INTERIM DIVIDENDS				
Anglo Park Group	Monday	-	-	-
Ashley Group	Tuesday	0.6	0.75	-
Barbican Holdings	Tuesday	-	-	-
Bellway	Thursday	4.0	7.0	-
Clydesdale Investment Trust	Monday	0.5	2.8	-
Colroy	Monday	2.0	2.5	-
Cronite Group	Friday	0.5	3.5	-
Drayton Asia Trust	Tuesday	-	0.5	-
Glasgow Income Trust	Thursday	0.8	1.15	-
Govett Strategic Investment	Thursday	1.5	4.0	-
Guinness Mahon Holdings	Thursday	0.8	1.3	-
ICI	Thursday	18.0	32.09	21.0
Kwik Save Group	Monday●	3.2	7.3	-
Leeds Group	Thursday	2.7	3.5	-
Lowland Investment Company	Monday	3.0	4.5	-
Multibroker	Wednesday	-	-	-
National Home Loans Holdings	Monday	3.26	4.74	-
Phillips Lamps Holdings	Thursday●†	0.8	1.4	-
PWS Holdings	Thursday	1.0	1.5	-
Rentaminster	Thursday	1.0	1.0	-
Royal Bank of Scotland	Wednesday	2.4	4.8	-
Tate & Lyle	Wednesday	2.9	8.1	-
Wellcome	Thursday	1.3	3.75	-
Worth Investment Trust	Friday	0.5	1.5	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.‡ 2nd interim dividend.● 1st quarter figures.† Figures quoted in Dutch guilders.‡Irish pence.

MINDING YOUR OWN BUSINESS



Publisher Nicholas Dunnachie . . . profiting from murderers, vagabonds and thieves

Doing it by the book

MURDERERS, vagabonds and thieves are the stuff on which Nicholas Dunnachie's profits are based. The former insurance salesman might throw in the odd disaster for variety but the bulk of output from his tiny east Lancashire-based company, Millgate Publishing, reflects the rich and often bloody history of the Rossendale Valley.

Dunnachie, 36, is an amateur historian who, despite the surname, can trace his Lancastrian ancestry back almost 900 years. He decided to extend his hobby into a business in 1987 and says: "There has always been a strong interest in local history within Rossendale, rather like in the south Wales valleys, and I wanted to cater for that." After a 13-week business training course, provided free by a local economic development agency, he felt confident enough to draw up a detailed business plan. He then borrowed £3,000 from a bank and another £3,000 from a start-up fund operated by Lancashire Enterprises.

The business plan was to prove "over-optimistic." Dunnachie admits he under-estimated both the demand for local history and the difficulties a small publisher has in securing distribution. "In retrospect, instead of £6,000 I should have borrowed £60,000. I was acting too cautiously in many ways and too boldly in others," he says.

Those mistakes, combined with pure misfortune, almost put him out of business. Today, though, and after two loss-making years, the company – which is still run from the front room of his Rossendale home – is heading towards its first profit on a turnover for the present year of £60,000.

The initial loan was used to publish a pictorial history of east Lancashire which sold more than 4,000 copies. Further titles, although less successful than predicted, also sold well. But the cash flow problems of book publishing were beginning to undermine his profitability.

The Rules and Regulations of the Lancashire and Yorkshire Railway, which had a print run of 1,000 copies, was not a success in spite of the catchy title but a book about the sinking of the passenger liner *Lancastria* in 1940 seemed to offer the opportunity to move into the national market.

It was, says Dunnachie, a costly exercise. Millgate organised an initial print run of 6,000, but, with a limited marketing budget, managed to sell only 4,000. "We sent copies to every newspaper but they just didn't want to know," says Dunnachie. "It was a very good book about a disaster that can rank with the *Titanic*; yet, apart from a few reviews in the specialist press, we just couldn't get publicity. The mistake was in under-estimating the impact of marketing on book sales. The best book in the world can't sell if people don't know about it."

Last year, recognising that financial problems were becoming serious, he went back to his bank with a revised business plan and was granted extra loan facilities. They were used to launch *Red Rose* magazine, a bi-monthly about local history. The magazine retails at £1.20 and advertising costs £250 a page. Now in its sixth issue, it has become the company's largest single source of turnover – with sales of more than 4,000 a time – and has helped to stabilise its cash flow.

Written with the help of other local historians, the magazine has readers in Australia, the US and even China. Its most popular articles are those involving characters like "Owd Edgar," a notable petty thief, or events like the murder of Ann White, a particularly brutal affair which rocked the valley in the 1820s.

The success of the magazine has allowed him to take on his first full-time employee. Dunnachie explains: "I was doing all the jobs and not doing them all properly. The hard part is to recognise when you need help."

This year, the 50th anniversary of the sinking of the Lancastria presents an opportunity to recover losses on the book. He remains convinced that, with the right marketing approach, it would be a best-seller. As he puts it: "Most people like reading about disasters – and this was one of the biggest."

■ *Millgate Publishing, 48 Hall Carr Road, Rossendale, Lancashire BB4 6AN (tel. 0706-216-380).*

Martin Regan

Anthony Moreton on a sailor who makes coasters

Putting it on the slate

BECOMING A businessman was the furthest thought from John Rowlands' mind when left the navy 19 years ago. With work difficult to find in Plymouth – his last posting was at the Dartmouth naval college – he moved to Southampton and took a job in electronics refitting ships before moving on to selling pharmaceuticals. Today, he and his wife, Joanne, run Bacchante Crafts; they produce decorated Welsh slate products such as coasters, clocks, pendants and pen sets from a factory on a small estate in Newtown in the heart of rural mid-Wales.

The only connection between the navy and Newtown is the name. Bacchante (in Greek mythology, a devotee of Bacchus) was Rowlands' last vessel, and the first thing he did on buying a house was to name it after the ship. The second thing was to give the name to the company. The house has now gone, the proceeds paying off debts and giving him freedom. "The first thing I have learnt is never to be in hock to the bank," he says. "They pressure you. You have so much more flexibility of action if you are not in thrall to them."

This weekend the Rowlands play host to Bernard Pauncefort, the administrator of Tristan da Cunha. The 316 people of this tiny island in the South Atlantic have bought 100 coasters and ordered 20 clocks already. "We may be small but we think big," Rowlands says.

The couple got into slate by accident. Her parents had been to Wales on holiday and brought back a slate-based lamp, a gift even more popular now in the seaside shops of the principality than it was 20 years ago. "I thought I could make those things," Rowlands says. "I started with pendants, cutting the shape at home with a hacksaw. Friends at work actually bought them. Joanne and I took a trip to Wales with some samples and sold £100 worth in five days. But it was not until I had lost my job with the pharmaceuticals company some years later, and taken a management course, that I turned back to slate."

Seven years after leaving the navy, he set up Bacchante Crafts. Rowlands was then 33 and going solo was a gamble, although one that was "worth taking." Joanne was then working part-time for a doctor and she used to join him for the second half of the day. She would produce the designs, copying others if necessary, and he would manufacture the goods. Then he would break off and take to the road selling them. Both agree that "starting a business is hell."

Rowlands says: "I was driving 30,000 miles each summer delivering, taking orders, going to shows, and then I would have to come back to turn out the goods. For a while we sold at shows, such as Badminton and the Game Fair. We bought a horse box to carry the articles – slate is so heavy, it needs a strengthened vehicle – and at the end of the day we would turn the box into a bedroom."

The Rowlands chose the big shows and fairs because they were anxious to keep away from the cheap end of the market. "There's a lot of tat about," he says, "and we're not into that sort of stuff. We're probably the dearest in the business – but we're the best."

The Rowlands remain in the 500 sq ft factory in Newtown where they began 12 years ago but they would love dearly to exchange it for something bigger. Indeed, some of the work has to be done outside, which is limiting when it rains (as it does often in Wales). In their first year they had a turnover of £10,000. Rowlands will not say what it is now beyond admitting to "a lot more."

They have reached that happy state without a business plan, no monthly targets and not much in the way of financial controls. They show a lot of common sense, though. "The essential rules are to get a good accountant, keep the bank manager sweet, free yourself from the worry of debt and look at all the outgoings critically," says Rowlands.

John and Joanne Rowlands . . . carvings from stone

The original approach to pricing was naïve. "I did no research or marketing on the coasters we started with," he says. "Nor did I have any idea of the price I should be charging. So I decided on twice the market level. When no one would buy, I costed out a price with rather more finesse."

Bacchante works through an agent for the UK and, despite an almost total lack of advertising, its goods are sold around the world. Coasters go to the whisky brand Glenfiddich, which has taken 86,000 over the past few years for promotions in Japan, West Germany and elsewhere. Another large order arrived from the US where World Wildlife has taken some 24,000.

More recently, Rowlands, a keen bowler, took an advertisement in a bowls magazine and was surprised to find inquiries flooding in, including one from Hong Kong. "It was only a small advert but it brought in more than 40 inquiries in the first fortnight," he says. "The first firm order was worth nearly £1,000." He sighs. "If only we had more space to develop the business. We must grow bigger."

■ *Bacchante Crafts, Unit 20, Vastre Industrial Estate, Newtown, Powys SY16 1DZ (tel. 0686-627-589).*

Overcome by interest

HINTLESHAM HALL in Suffolk – 18-hole golf course, stables and a first-class restaurant – could be considered the perfect country house hotel. But for its owners, Ruth and David Watson, the days of running such a business are coming to an end.

The Watsons are among a growing number of entrepreneurs who are discovering that the financial climate is not as kind to small businesses as it used to be. The hall is for sale.

"Two years ago we were encouraged to invest in our business, so we borrowed at 8½ per cent," says 39-year-old Ruth, a former graphic artist. "Now we're paying 17 per cent interest and the difference is just too much to cope with."

The Watsons bought Hintlesham Hall in 1984 for £550,000 with no experience of the hotel and catering world, so they took on a team of experts to advise them. Their general manager is college-trained and their chef had worked at the Connaught hotel and Le Gavroche restaurant in London. Previously, they had built up a computer-selling business – which they still have.

"I don't think that our lack of hotel experience was a drawback," says Ruth. "We knew how to run a business and, really, the rules are identical whatever the business is." At the time, they were in the enviable position of having no bank borrowings, but Ruth adds: "It wasn't long before David referred to the Hall as the financial black hole."

Structural upkeep was the first hurdle. The Hall has a Georgian front, but underneath is a 16th century timber frame which shrinks and swells according to the weather. Expensive remedial work had to be carried out. Then again, heating the Hall is a never-ending cash gobbler; last year's bill was £45,000. "We knew that the Hall needed a huge amount of work and that it would cost a lot to maintain," says Ruth. "We had to re-plumb, restore the gardens, build houses for the staff, and we planned for that. I think that maybe, at the beginning, we didn't expect to expand as much as we have."

The bulk of this expansion took place last year when the Watsons borrowed several million pounds to build a new kitchen, reception room, bedrooms and a "stunningly wonderful" golf course. Business was booming but interest rates were soaring, and the Watsons are now having to pay for being over-ambitious.

"We do feel we are the guardians of the Hall, not the owners," says Ruth, "and so we always wanted to do our best by it. Unfortunately, the perfection one strives for is an elusive – not to mention expensive – abstraction. We knew the interest rates wouldn't stay at 8 per cent but we thought they would probably only go up to about 10 or 11. When we borrowed the money, we tried to get a fixed rate of 11 per cent but the bank told us to wait until it went down. It never did, of course.

"It's so difficult for businesses to operate if they don't know what's around the next corner. European companies can plan five years ahead because of the way their banks organise borrowing, and I really think we need a system where interest rates for businesses and personal finance, such as credit cards, are separated."

By their own admission, the Watsons had also under-estimated the length of time it takes to establish hotels in rural areas; it has taken them five years to reach a position in which they thought they would be after three.

Although they have not given up hope entirely – they are continuing to explore other ways of financing Hintlesham – they are well aware that it needs a public company or a rich individual to keep the hotel in the style to which it has become accustomed. Offers are being made in excess of £7.5m; they have had more than 300 enquiries.

The Watsons now hope to set up a restaurant in East Anglia catering for a younger, livelier clientele. They also want to improve a vineyard attached to a house they own in Provence, France. "I have no regrets about Hintlesham," says Ruth. "It remains a highly profitable business and I feel sure that we have maintained its good name. I wouldn't have missed it for the world."

A superior tour: Page XX

Prudence Jeffreys

FINANCE & THE FAMILY

Diary of a Private Investor

Taurus — and the bear market

WITH THE start of the new tax year I have taken the opportunity further to reduce my holdings of shares, since I will not have to pay tax on the capital gains profits until late 1991. Meanwhile, those profits can be protected, and increased, from the safety of a high interest bank account.

There is little to encourage a private investor to deal in shares at present bearing in mind the state of world stock markets, high interest rates, increasing company failures, and a rise in the number of UK companies where dealings in the shares have been suspended.

But is the situation likely to change within the next year or so? For a start, buying (and selling) shares in 1990 is a bit cheaper for the private investor than it was in 1989. This is because since January 1, due to a change in VAT rules, stockbrokers' commissions are no longer subject to 15 per cent VAT.

Plans to abolish stamp duty on share transactions were announced in the Budget, but this will only take place in late 1991 or perhaps 1992, whenever the Taurus system becomes operational on the London stock exchange. John Major, the Chancellor, seemed to believed that this "paperless share transfer system" was worth encouraging to make share dealing cheaper. It may well do so for institutional investors, but I have yet to be convinced that Taurus will reduce costs for the private investor.

However, at least the latest Taurus proposals are better than the original ones, in which share certificates "dematerialised" and an investor was supposed to rely on his contract notes as "evidence" of ownership in the event of a company registrar somehow failing to register the shares in the correct name.

As I understand the latest proposal, an investor will be sent regular statements by his or her broker listing the shares registered to the owner – rather like a bank sending out bank statements detailing bank transactions and bank balances. However, as anyone who has scrutinised bank accounts will know, computers can sometimes play funny tricks with figures.

Looking at the quarterly valuation list of shares held in my independent pension scheme has already revealed some of the likely consequences: recently I was credited with still owning some shares which the fund had sold, and scrip issues and share splits seem to invite queries.

At least if you have a share certificate you can hold it in your hands – like a £20 note – and you feel more sure you own it. It's not the same as reading a statement claiming you own it.

One effect of Taurus – as well as increasing international competition – would seem to be the ending of the current stock exchange accounting periods. It may be that share purchases will have to be paid for within about three days, rather than in the present account periods of a week or more. With the present postal and cheque clearance systems, how is such speedy payment going to be possible? And what about quick dealing on "hunches" or "hot tips" (not insider dealing)? There would be no time to raid a building society or high interest bank account to raise funds for instant share purchases.

I fear an increasing push towards the US system, where a private investor is encouraged to give his broker a large sum of money in advance, out of which the broker pays for shares and pays interest on the balance. An investor would also probably be encouraged to "deal on margin" for quick deals – borrowing money from his broker backed by the security of his shareholdings and having to pay interest on the money borrowed.

This will tend to favour the large stockbroking firms (many of which do not seem to want to deal with small private investors) or the banks. What will happen to the friendly smaller broker who knows an investor well and can offer personal advice accordingly?

I believe Taurus should only be introduced in tandem with changes in the banking acts to improve the safeguards – and the speed – of money transmission services.

The good news is that the stock exchange seems to recognise that the SIB (Securities and Investments Board) compensation scheme is a poor replacement of the exchange's own earlier plan and is looking at the possibility of introducing a "top up" compensation scheme to provide better protection for investors in the event of fraud or negligence

Another good development, recommended by the Elwes Report to the Stock Exchange, is the proposed introduction of a public order limit system. Under such a system an investor can ask his broker to insert a request to buy (or sell) a particular number of shares in a particular company at a set price. Once in the system the order would remain there for some time, or until a deal was done, thus bringing more attention to it by market makers and brokers. This should assist in getting better deals for the private investor, as well as making it easier to deal in less liquid stocks where few transactions used to take place.

It should also help the investor to set limits more easily on the prices at which he is prepared to deal – particularly useful now that there are increasing "dealing spreads," the difference between the buying and selling prices of shares.

The exchange is also re-examining the effects of share suspensions. Since my article on this topic in November last year the cry has been taken up by many others. Long share suspensions do not protect the investor; indeed they positively *harm* the investor by locking him into an investment he cannot sell while depriving other investors willing to take a gamble by buying.

However, these are all proposals for the future. Meanwhile, I do not believe in the "weight of money" theory boosting the market. Institutions may well show increased cash holdings, but they probably need the cash to meet increased insurance claims for unpredictable events such as the floods in Australia and to cover losses on junk bonds, property write-downs and companies that have gone bust.

Therefore, while I have retained some shareholdings – mainly in smaller companies – I shall not be increasing my holding in the very near future, unless some really mouth-watering attraction appears.

Kevin Goldstein-Jackson

Tax relief on a gift of shares

I WISH to give 9,760 shares to my sister. They are worth about £14,000 and, as my total gains are within the CGT exemption, I do not need to consider holdover relief.

a) Should I survive for seven years, will the gift be treated as a potentially exempt transfer (PET)?

b) Will my sister incur any tax liability due to the gift, other than any subsequent appreciation in value?

■ 1. The gift is treated as a PET forthwith (ie it is potentially exempt) and it will become fully exempt if you survive seven years.

2. No: except that her own estate will be increased by the value of the shares and would attract inheritance tax if it exceeds the new exemption limit of £128,000, as increased in the recent Budget.

Probate puzzle

I AM HELPING a recently widowed lady to obtain probate. I have found that the house was in the sole name of her deceased husband who has left his entire estate totalling about £250,000 to her.

a) To whom do we write to transfer the ownership of the house to her once probate has been obtained?

b) Do we have to employ a solicitor?

c) She has a son living abroad and a daughter living separately in the UK. Would there be tax or other advantages in transferring the ownership of the house to the widow and her children jointly or as tenants in common? She would continue to live in the house.

■ a) You do this by an assent in writing.

b) It is not necessary to do so if you contemplate an arrangement as in your last question.

c) It would be difficult to achieve this without the risk of nullifying the potential tax advantage by having created a benefit reserved.

Bank that kept paying

MY EX-WIFE and I held a joint mortgage for a property we occupied when married. As part of our divorce settlement, the property was given to my wife in a legal document, together with a payment of £3,000.

In March of 1989, I instructed the bank to stop the mortgage payments as my wife was intending to emigrate. The property was to be sold and I placed it on the market.

In October 1989, I noticed my instructions to cancel mortgage payments had not been carried out and, on contacting the bank manager I was told that he had not been able to stop the payments due to staff shortages. He said if I put my request in writing he would stop the debits going through my account.

A letter repeating my instructions was sent in October 1989 also requesting a refund of all monies taken from my account between March and October. In addition I asked for my overdraft and interest charges to be paid for this period.

Having not heard anything by December 1989, I chased the bank and was told the manager had been ill for three months and there was nothing they could do.

How do I stand legally? Am I entitled to a full refund of all monies collected since my original instructions to cancel the direct debit together with all bank charges incurred?.

■ You should insist that the bank refund you all the mortgage debits on your account since your first instruction to stop payment. Write to your bank manager to that effect and point out that unless he complies with your request immediately you will take it up with his area manager.

Too many leases

FOR MANY years, we have been renting some grazing land on an annual basis by purely oral agreement. About three years ago, solicitors for the landlord decided there ought to be a written agreement. This was drawn up by them (at my expense) to cover a period of 18 months. Now, they want to prepare a new agreement – a copy of the old – every 18 months. Surely this could be done by a covering letter.

■ The series of 18-month agreements is designed specifically to keep the tenancy outside the security of tenure provisions in Section 2 of the Agricultural Holdings Act 1986. Your better course is to ask the landlord to bear – or, at least, share – the recurring cost of the new lettings: he is unlikely to agree to changing to a tenancy from year to year.

Shares transfer

I INTEND to transfer shares to my son. How is the date of gift determined? Is it, for instance, the date on the stock transfer form; the date (some weeks later) on the new share certificate in my son's name; or should I write a dated letter to him?

■ The date on which the disposal takes place (for the purpose of CGT) will generally be the day on which the completed stock transfer form and share certificate is handed to your son, because that is the point at which you have irrevocably and unconditionally transfered beneficial ownership to him. It would be possible to transfer beneficial ownership by oral declaration of trust, of course, in anticipation of a transfer of legal title.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

IHT bill on estate

I AM AWARE that wife-husband transfers of capital on death are exempt from inheritance tax, but are they excluded from the assessment of the wife's total estate, where non-husband transfers of capital are also involved?

My wife has investment capital of £110,000, but she is also a life-renter in trusts having a present capital value of £50,000 and on her death this capital will pass to the next generation. On her death, will the trust capital be subject to inheritance tax of 40 per cent, on the grounds that her total estate is £160,000 (assuming that all her investment capital passes to her husband)? This is well above the tax-free band of £128,000. If so, could the IHT on the trust be avoided by her gifting, say, £60,000 absolutely to her husband while she is still alive?

■ The position will be as you describe ie your wife's estate will (on present values) be taken to be £160,000, unless there is a claim to "quick succession" relief, ie if your wife's free estate was given to her within five years of her death and after the settlement was created (see section 1431 of the Inheritance Tax Act 1984).

A saving could be made as indicated in your last paragraph, bearing in mind that the figures should be adjusted since the present limit of the nil rate band is £128,000. Alternatively, a saving could be made by giving a substantial sum (up to £128,000) to others than her husband eg children.

Pension and bonuses

MY ENQUIRY seems straightforward enough, but everyone I ask gives me contradictory answers! I am 41, employed as a sales manager and a member of a good company scheme. However, bonus payments are non-superannuable. How can I pension this income? I would prefer a personal pension plan but have been told that all I can use is a single-premium free standing additional voluntary contribution (FSAVC). Also, I am taxed on my car and BUPA contributions – how can I pension this "income"?

■ Your employer has advised you correctly that you can top up your company pension by means of AVCs but not by a personal pension.

Inland Revenue limits on benefits are based on taxable pay which therefore includes not only taxable bonuses but the taxable value of benefits in kind such as a company car and BUPA. In calculating your eventual final pensionable salary you must average variable items such as bonuses over a three-year consecutive period, but you can take the best three consecutive years in the last 13 years and you are allowed to index each year's earnings in line with the Retail Price Index between the year in which you received the money and the year you start to draw your pension. This is a complicated calculation which can only be done properly when you retire.

In the meantime it is a question of making an estimate of the gap between your expected pension under the scheme rules and the Inland Revenue maximum and the seeing how much in the way of AVCs you would need to pay to fill the gap.

If you have a helpful pension department in your company they will probably do this calculation for you or ask their actuaries to do it. Generally speaking it pays to use an in-house AVC as opposed to buying a free-standing AVC from an external insurance company which has to allow for its administration costs, marketing costs and commissions which eventually get charged to your policy.

Most good employers do all the in-house AVC administration without charge. They will shop around to find one or more reputable investment managers to invest their AVC funds, which are usually run on a unit linked basis although some will promise you added years.

There are, of course, exceptions in some companies that have paid little attention to the way their in-house AVC schemes have been run because there have not been many takers. However, we have found that competition from free-standing AVC providers has, over the past year or two, had a beneficial effect in stimulating such employers to upgrade and improve their in-house AVC facility.

Gifts to a son

SIX MONTHS ago, I inherited from my husband four freehold properties, two of which I wish to give as a gift to my son. The value of each property is £150,000. Will this be subject to any tax.

■ If you make the gift during your lifetime, inheritance tax will not be payable if you survive it by seven years: otherwise, tax will become payable when you die. You might also incur capital gains tax if the value of the properties you give away has increased by more than £5,000 since you acquired them.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
High interest cheque	5.00	5.10	4.08	monthly	1	under 5,000	0-7
High interest cheque	9.20	9.60	7.68	monthly	1	5,000-9,999	0
High interest cheque	9.40	9.80	7.84	monthly	1	10,000-24,999	0
High interest cheque	9.60	10.0	8.00	monthly	1	25,000-49,999	0
High interest cheque	10.20	10.70	8.56	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	7.00	7.12	5.70	half-yearly	1	1-250,000	0
High interest access	9.00	9.00	7.20	yearly	1	500	0
High interest access	9.75	9.75	7.80	yearly	1	2,000	0
High interest access	10.25	10.25	8.20	yearly	1	5,000	0
High interest access	10.50	10.50	8.40	yearly	1	10,000	0
90-day	10.25	10.51	8.41	half yearly	1	500-9,999	90
90-day	11.00	11.30	9.05	half yearly	1	10,000-24,999	90
90-day	11.50	11.83	9.46	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	12.75	9.56	7.65	yearly	2	5-25,000	1 mth
Income bonds	12.50	9.93	7.94	monthly	2	2,000-25,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue‡	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.76	11.31	9.05	monthly	1	2,500	0
Provincial Bank	11.02	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	14.42	12.29	11.01	half yearly	4	-	0
8pc Treasury 1992	14.21	12.07	10.76	half yearly	4	-	0
10.25pc Exchequer 1995	13.27	10.51	8.55	half yearly	4	-	0
8.5pc Treasury 1994	13.58	11.24	8.83	half yearly	4	-	0
3pc Treasury 1992	12.22	11.38	10.67	half yearly	4	-	0
Index-linked 2pc1992§§	12.77	10.50	10.19	half yearly	2/4	-	0

*Lloyds Bank. †Halifax 90-day; immediate access for balances over £5,000. ‡ Special facility for extra £10,000 §Source: Phillips and Drew. §§Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

A very bolshie fellow

Brecht: both poet and provocateur says Christopher Hope

BERTOLT BRECHT: LETTERS 1913-56
translated by Ralph Manheim, edited by John Willatt
Methuen £30, 720 pages

BERTOLT BRECHT: POEMS AND SONGS FROM THE PLAYS
edited by John Willatt and Ralph Manheim
Methuen £17.99, 268 pages

AS PLAYWRIGHT, provocateur, and even more so as a poet, Bertolt Brecht was one of the master spirits of the age. As a man Bert Brecht was also a very bolshie fellow. Somewhat surprisingly he preferred not to take up membership of the Communist Party despite vivid communist sympathies, perhaps on the Marxist principle (Groucho's not Karl's) that he found it impossible to belong to a club which accepted people like him as members.

As a satirist of the Nazis he was sublime. After the Second World War, as director of the Berliner Ensemble, the eminence of East Berlin and apologist for the German Democratic Republic, he was a mass of contradictions. He carried an Austrian passport, kept a Swiss bank account, used a West German publisher and even pulled strings to acquire a BMW when, for most of his East German compatriots, a modest little Trabant was the distant summit of their dreams.

Brecht's reputation as a powerful innovative dramatist has travelled widely. But his rank as a poet, in the English-speaking world, has taken on increased lustre over the years through the near-magical translations of Ralph Manheim in the master edition presided over by John Willett. Now they present, almost as cusps to enclose the Brechtian oeuvre, his *Letters 1913-1956* and *Poems and Songs from the Plays*, lyrics which were omitted from their great 1976 edition of the poems. For those fascinated by this magnificently obstreperous artist both books are essential. They will delight and appal in the best Brechtian manner.

The *Letters* are grouped in categories which broadly reflect five major stages of Brecht's career. There is the young poet in Wilhelmine Bavaria; the Berlin years with Max Reinhardt, Kurt Weill and others; his exile in the 1930s to Denmark, Sweden, Finland and, of course, the Californian sojourn among a brilliant coterie of fellow German exiles; and, finally, his return to devastated Berlin, a city he loved "with limited liability" and where he lived from 1947 until his death.

There is a curious symmetry about this life in letters from Weimar to East Berlin. It is to be detected in the very first letter printed, a piece of high-spirited doggerel written by the fifteen-year-old Brecht to family friends. From first to last Brecht takes perverse consolation in the forces of contradiction, in their power to undercut and disconcert, which gives his work such energy.

We get correspondence with major collaborators such as Hanns Eisler, Casper Neher and Piscator; disagreements with Marxist theorists like *Georg Lucács*; discussions on the nature of socialism and Stalinism with Walter Benjamin and Bernard von Brentano (who proves to have seen through Stalinism as a form of left-wing fascism as early as 1935 in the face of Brecht's perfectly grotesque objections); there is the story of the adaptation of *Schweyk in the Second World War* and the writing of *Mother Courage*; Brecht's Hollywood years; letters to the wives and mistresses he wooed and abandoned. But since we have only Brecht's side of the correspondence there is little light cast on the sexually rampant Brecht among his acolytes. Only his letters to his Danish mistress Ruth Berlau reveal much passion, and that of a man increasingly anxious to escape an affair which was a long time cooling.

Bertolt Brecht

As regards Brecht's politics and his devotion to the communist cause, Willett and Manheim are concerned to defend him from charges of bad faith. They are sensitive about the business of the Austrian passport and the Swiss bank and they sprint to the defence of the German Democratic Republic, "a country and a society of great importance and many fine qualities."

Recent events in East Germany expose such apologies as canting nonsense. What the revolutionaries of 1989 in Dresden, Leipzig and Berlin would have thought of Bertolt Brecht's politics is clear from their scorn for other cossetted intellectuals who enjoyed the patronage and privileges of the corrupt ruling class. As for Brecht's opinion of the East German revolution, we may deduce this from a letter written to his West German publisher Peter Suhrkamp when the workers rose against the East German regime in June 1953 and were bloodily cut down. The same sort of people once set fire to the Reichstag, Brecht insists, "a fascist warmongering rabble." The Suhrkamp letter shows Brecht about as wrong as it is possible to be. And in other letters to party big shots like Walter Ulbricht, later to become the unswervingly Stalinist boss of East Germany, Brecht pens painfully polite notes in defence of his work in a display of unseemly good manners.

So it is with some relief that one turns to the *Poems and Songs from the Plays*. From *Mahagonny* to *The Caucasian Chalk Circle* Brecht is as rude as possible to his enemies with only occasional lapses into sentimental hymns to communism. This is Brecht at his bolshie best – now available, thanks to Willett and Manheim, in the best hard-bitten English around. All who relish the sight and sound of it are in their debt.

From "Soweto: Portrait of a City," a collection of Peter Magubane's photographs of Johannesburg's black "twin," with text by David Bristow and Stan Motjuwadi (New Holland, £22.50, 156 pages).

The killing fields

Joe Rogaly asks if this is the whole truth about South Africa

MY TRAITOR'S HEART
by Rian Malan
The Bodley Head £14.95, 349 pages

HERE WE peer into the heart of darkness with our backs to the light. Position yourself that way and all you see is fear, chaos and insanity. This is what Rian Malan describes. It is one method of churning out a blood-curdling collection of murder stories, all of them easy if gruesome to read, but it is not an apposite stance if your intention is to present the whole truth about South Africa.

My Traitor's Heart does present an important part of the truth, which is that there is escalating violence in the Republic. This needs saying. Most of us are deeply opposed to white domination, but that is no reason to turn a blind eye to the horrors of internecine strife in the townships and across Natal. Malan is even-handed about the violence. A sensational case-history of a deranged black murderer, whose victims were white, is fully investigated. The tales of callous and merely political murders of blacks by whites are counterpoised by accounts of brutal murders of blacks by blacks.

The explanation offered for murder by whites is racial fear: kill or be killed. Outsiders who have not experienced this fear will learn something from the accounts given here, as of the nervous tension that overtakes most of the very few whites who visit black townships. They are nearly always afraid, even while at home among fellow-whites in the affluent suburbs behind burglar bars and high fences. Fear is of the essence of any true understanding of South Africa: Malan knows how to put this across.

As to killings of blacks by blacks, it is right that a book should record them, but it would be better if they could be convincingly explained. This is not achieved here. Malan does not claim to be an African linguist and the deeper he delves into Zulu tribal histories and sub-clan warfare the more one feels that he is as much at sea as would be an English historian trying to understand Tibet via interpreters. He gets the outline of the story, but one wonders about its true essence. The killings take place, and there is little reason to hope that they will cease, even after black rule is achieved, but many of them are beyond an outsider's complete understanding.

Perhaps it is too much to expect more. The author is a descendant of the Huguenot Malans, the first of whom arrived in the Cape in 1688 and the most famous of whom, Daniel François Malan, was the founding Prime Minister of apartheid when the Afrikaner Nationalists came to power in 1948. Our hero was a renegade, a youthful flirter with socialism and a one-time believer in the "Freedom Charter," the foundation document behind contemporary *African National Congress policy*.

This made him a progressive of sorts, but he did not become a politician, as other Afrikaner renegades have done. He went further. He became a crime reporter on the Johannesburg *Star*, smoked dope, consorted with his black colleagues, and eventually exiled himself to Los Angeles – where I assume that dope, drink and consorting were merrily pursued. This book is partly an autobiographical account following his return, but most of it is a series of lengthy extrapolations of melodramatic murder cases.

Perhaps one reason why I am less impressed than some of the reviewers quoted on the dust-cover is that there are a few low-decibel echoes of my own past in all of this. Although I never tasted South African marijuana, I do recall working as cub to the crime reporter of the now defunct *Rand Daily Mail*, then the *Star*'s principal opposition. There were dreadful tales even then, although at the time Malan must have been still a schoolboy. We also knew how to give a story human interest, or an "angle", which is perhaps why I could not help wondering how much of *My Traitor's Heart* is enhanced by hype. The other reason is the wilful sloppy-slang of too much of the writing, with its irritating mixture of Jo'burg talk and LA lore ("I'm just going to lay this all upon you", we are told in the first sentence). There is no reason to doubt the factual content, but equally no reason to swallow whole the manner of its presentation.

This is why Malan may have done a disservice to his country by producing an account that, save for a few protestations at the very end, seems to be almost wholly negative. You might expect to read this of *Lebanon, say, or even Cambodia*. It is not obvious that South Africa is yet to be written off as a vast sub-continental killing field. There certainly is a danger that it may turn into that, but a great many people, including Nelson Mandela and F.W. de Klerk to name but two, are trying for something better. Every South African tribe has produced representatives who know well enough of the darkness behind them, but do try to turn towards the light. *To write their efforts off in the name of* "honesty" when they have only just begun is truly traitorous.

Trapped in the Bore War

FIFTY YEARS ago this weekend Winston Churchill was just about to take over as prime minister of Britain. The country was idling its way through the Phoney War (or "Bore War" as it was then called). People amused themselves by listening to German radio propaganda: the programme times were published in the papers. The blackout was a nuisance and divorce solicitors complained it hurt their trade.

No-one much thought about invasion and the Germans had not planned one. But Churchill used the threat to shake the British out of their dangerous lethargy and to rally their fighting spirit. It was almost, says Glover, as if he blackmailed Hitler into preparing *Operation Sealion*. In some ways the English were more looking forward to the invasion than the Germans. After the prime minister's rousing speech of May 19, Ed Murrow, the American broadcaster, said: "To me it seems that this country is ten years younger than it was ten days ago."

This is a military history, full of names and numbers, whose justification (apart from this anniversary year) is that it is written from both sides' point of view. But it is also written with a close and

INVASION SCARE 1940
by Michael Glover
Leo Cooper £14.95, 225 pages

humorous eye to its fascinating social sub-plot and in a style that would do credit to the late Barbara Tuchman. The picture that emerges is of a muddled, divided and deeply ignorant German high command on one side of the Channel, and a united but almost unbelievably insouciant English populace on the other.

The events of that year are still fresh in English folk memory. Yet in other ways they are as remote as the bow-and-arrow age of Agincourt. The Hitler of 1940 scarcely seems threatening at all. Indeed, it is obvious he did not want to invade and had convinced himself, with Goebbels' help, that the British (whom he anyway admired) would come to terms. His chief admiral, Erich Raeder, was frankly appalled at the prospect of trying to establish a beachhead. His memoranda to Hitler's Oberkommando become increasingly, almost pathetically, desperate.

But Hitler, too, was trapped. If he went ahead with *Sealion* he was almost certain to be defeated. If he did not invade, it would amount to the same thing as a defeat. So, one night in July while watching *Götterdämmerung* at Bayreuth, he had the brilliant idea of beating England by invading Russia instead. As the author wittily observes, it was "an extreme example of the Strategy of the Indirect Approach."

Meanwhile the British were displaying a *sangfroid* that was admirable, charming, eccentric and often hilarious. American correspondents in London and German generals in Berlin wondered if the British were really sane. Sometimes the author's selection of anecdotes makes one wonder if he is not exaggerating the height of morale. Did nobody find the nightly pounding of the Blitz a terrible experience?

Insulated by the knowledge that the last successful invasion was in 1066, it seems the English literally did not believe in the possibility of defeat. Michael Glover recalls how a German bomber flew straight up the Mall and dropped a stick of bombs on Buckingham Palace: "Two fell in the forecourt, two in the quadrangle, missing the King and Queen by only thirty yards, one on the chapel and one in the garden. As one of the police on guard remarked to the Queen, 'A magnificent piece of bombing, Ma'am, if you'll pardon my saying so.'"

Militarily it was the Royal Navy and RAF which scotched Hitler's invasion plan. But people like that played a big part too. As the author says, this is the story of a non-event. But it is a story told with such fluency and pace that the reader is kept on tenterhooks right up to its . . . well, anti-climax.

Christian Tyler

Falklands put in perspective

SIGNALS OF WAR: THE ANGLO-ARGENTINE CONFLICT OF 1982
by Lawrence Freedman and Virginia Gamba-Stonehouse
Faber & Faber £17.50, 417 pages

IN A SEASON of developing partisanship and political acrimony in the UK, it is difficult to ignore a book which places the Falklands War – arguably one of the key events of the Thatcher decade – in perspective. The Falklands War might have had a military winner and a loser, but the responsibilities for starting it were not so clear cut. At the end of their research into the conflict, the authors conclude: "Britain failed because it did not recognise the coming signals of war; Argentina failed because it believed that these signals could be controlled."

The point, however, has been made before, not least by several witnesses to the Franks report, and one wonders whether it is sufficient to justify the publication of yet another book on the Falklands War on top of the 36 which have been published in the UK.

Prof. Freedman and Ms Gamba are clearly aware of the potential for overkill. Their case for the latest addition to the Falklands bibliography is three-fold: that the book is a useful synthesis, both for the academic and general reader, of everything that has been published before; that it contains additional military and diplomatic information, including sensitive Argentine records that have not reached the public domain (they have obtained, for example, a fascinating transcript of the pre-surrender telephone exchange between General Galtieri and his commander on the Falklands, General Menendez); and thirdly, that co-authorship by an Englishman and an Argentine has provided a more equitable treatment of a subject that too easily sinks into nationalist subjectivity.

The book is at its strongest when unravelling the complex series of events leading up to the Argentine invasion and the subsequent diplomatic efforts by the US, the Peruvians and the UK to try to prevent both sides from actually coming to blows. After reading it no-one should be at any doubt that the islands would not have been invaded had Argentina been ruled by a democratic president and not by generals; that the US administration under Reagan was schizophrenic when it came to handling foreign policy; that the sinking of the Belgrano was not a cynical ploy by Mrs Thatcher to scupper any prospect of peace; and that, on the contrary it was the Argentine junta's geopolitical self-delusion that ultimately accelerated events.

However, the authors have been selective: there is, for instance, an illuminating account of the military assistance provided to Britain by France, but virtually nothing on the Chilean connection. There is no mention whatsoever of Galtieri's efforts to engage the help of Colonel Gadaffi, and the Argentine navy's attempts to sabotage British warships in Gibraltar. (No two incidents, in my view, better illustrate the extent to which the Falklands war came close to provoking results quite out of proportion to the economic and strategic importance of the islands.)

Jimmy Burns

The lessons of '89

DEATH OF THE DARK HERO: EASTERN EUROPE 1987-90
by David Selbourne
Jonathan Cape £13.95, 274 pages

COMMUNISM HAS been a modern tragedy now virtually played-out, as revealed by the recent events in Eastern Europe. During this time, David Selbourne has been travelling regularly in what was the Soviet bloc, seeing for himself an historic liberation – "a match for 1789," in his words.

In one noisy and excited room after another in the capitals of Central Eastern Europe he has listened to appeals for democracy and tolerance from those who know these values at second hand. Blood was shed in Romania and he was there soon after the overthrow of Ceausescu and his dynasty. Among impressive personalities he has met are Vaclav Havel, Pavel Bratinka and Milan Simecka in Czechoslovakia; Andrei Plesu, the Romanian Minister of Culture, who in a weird irony is guarded by the same security agent as when he was a dissident; Milovan Djilas; and Lech Walesa.

Contenting himself with a minimum of local colour, he reports in detail the resulting conversations, or sometimes the political rallies he has attended. His role is to ask questions. The result is earnestly Socratic and somewhat interrupted by a structure of brief self-contained paragraphs, each with its point, but it certainly conveys the flavour of the moment. In those countries, debate about what is to be done has become more or less continuous. Nobody can predict what will happen. Hope and fear are inextricably linked.

Originally a man of the Left, Selbourne was some years ago bounded out of his Oxford job by the Left on account of an article he had written. As a result, he is sensitive to injustice practised in the name of ideology. In common with all democrats and libertarians, his heart as well as his intellect has been set racing with delight at the failure of tyranny. You can't fool all the people all the time is his main message. Following the extinction of Marxism-Leninism, he notes, the free-market principles of Friedrich von Hayek and Mrs Thatcher have become influential. Put another way, everyone's basic wish is to get on with his own life as best may be.

Marxism-Leninism's ghastly achievement was the almost complete destruction of the human decencies without which true society can hardly exist. The secret police made it their business to eliminate all trust between people. Only the churches and the arts managed to retain any humanity and so, by nature of their vocation, a disproportionate number of priests and artists today hold posts in the new regimes. Are they the right people to create a civil society? Do they possess the requisite character and strength? Everything in Selbourne's outlook and experience impels him to conclude that, because the good and the brave deserve to win, they will.

Yet his evidence often suggests otherwise. Some of those he meets are not at all good or brave but prejudiced and destructive in the very ways that their forebears were in the bad old Balkan days before the Communists. Often in dismay, Selbourne listens to the mutual hatred of Romanians and Hungarians, Serbs and Albanians, Bulgarians and Turks, and to collective fantasies about Jews even when none is left alive to hate. Time and again he interviews someone – an ex-Stalinist or a Catholic progressive or a potential capitalist of whom he would like to approve – only to uncover a nationalist of the ugliest sort, an incipient fascist, an anti-semite.

The strong are always finding arguments to support their claim to rule the weak. Such ambitions can be prevented only by the rule of law, otherwise even freedom becomes another licence for the strong to start exploiting. It would have been valuable to learn whether Selbourne thinks that the rule of law, and therefore a civil society, are now practical possibilities in these countries of the Soviet bloc; and if so, how will that society come about. Until it does – and of course in the diehard Soviet Union as well – the hopes which he arouses and encourages have a somewhat Utopian air about them. 1789 was by no means all liberation.

David Pryce-Jones

Short stories

Beautiful prose hides dangerous feelings

IN TRANSIT
by Mavis Gallant
Faber & Faber £12.99, 229 pages

ABLE BAKER CHARLIE DOG
by Stephanie Vaughn
Heinemann £13.95, 194 pages

LUST AND OTHER STORIES
by Susan Minot
Heinemann £12.95, 147 pages

THE BLUE-EYED BUDDHA AND OTHER STORIES
by Ellen Gilchrist
Faber Paperback £4.99, 214 pages

SELECTED STORIES
by Andre Dubus
Picador £13.95, 476 pages

HERE IS a springtime spate of short (and not so short) stories, mostly by transatlantic women. Short stories are about spots of time from which ripples of apprehension extend, revealing either the progress towards that moment, intuitions of the future, or sometimes an overwhelming sense of the locked-in-ness of life. They are to do with revelations, with the lifting of the veil of the everyday to show the otherness which is the true work of every artist; they work like poems, rather than novels; they have a beginning, a middle and an end, but not necessarily in that order.

Mavis Gallant, the oldest and most distinguished of these writers, left Canada in 1950, travelled extensively and then settled in Paris. Her stories are mainly of expatriates, people divorced from roots and therefore face to face with themselves, unable to take refuge from the painful accuracies of self-knowledge in the soothing nest of routine; or to escape the fact that others are always unknowable, unapproachable, in transit.

A small boy lies traumatised in hospital in Switzerland, unaware that his parents have been killed in a road accident: only a sad woman in the next bed guesses, obliquely, at the extent of his dislocation from reality. In the title story two couples, one old, one young, cross paths in an airport: the younger man senses the purgatorial nature of the older relationship and has a visionary insight into the nature of his own fragile bond with his first wife and now with his present one. A son visits his dying father, expecting development, or resolution, and finding only the same character but, as it were, reinforced. Gallant's milieux are acutely and minutely noted: her people are never quite where they mean to be, either geographically or spiritually. But by recounting their indirection, Gallant finds direction out.

The *New Yorker* magazine has much to answer for: beautifully mannered prose corralling dangerous, undisciplined feelings is what distinguishes these other women writers. But although they all operate within the same discipline, each has a distinctive voice: you could never mistake Gilchrist's steamy, southern milieux and often whacky girls for the brittle, knowing, subtly disappointed bright young things in Minot's sparse, spiky tales, any more than you could confuse the aching growing pains of the heroine in Stephanie Vaughn's first accomplished collection, for the refined obliquities of Gallant.

Susan Minot's girls tread warily through the sexual minefield without the traditional maps to guide them, so that when the ancient truths of lust, pain, longing, rejection, blow up in their faces, they are somehow mystified. All her stories convey a subtle sense of loss, as if there is something more to be grasped which just eludes the characters, knowing though they think they are.

Ellen Gilchrist often deals with starker stuff: tragedies of spoilt white folks, mainly set in the American South: people at the end of their tether because of boredom, or the restrictions of wealth, chancing into murder, or drink, or, as children, oppressed by partially understood violence from the mysterious world of adults. She shares with Vaughn the trick of the childhood flashback to explain how people get from there to here. A small girl takes her revenge on her brothers for excluding her from their games, by secretly pole-vaulting higher than any of them – and nothing else since has seemed so important. The same child in another story suffers the first pains of leaving the town she knows, dragged heartbroken by parents who have forgotten adolescent anguish. In other tales, tragedies are seen from outside, observed by loving maids or relatives, bemused by the violence of others. Gilchrist is quite a conjuror.

Stephanie Vaughn has a fine way with ironic dialogue, which masks deep affections. She writes, among other things, of daughter-love, distancing the pain of the imminent loss of parents with dry, understated witticisms. The fortitude of a dying mother is never seen sentimentally: irritations are remembered, to give weight to the unbearable pain of the separation to come. Vaughn writes with a graceful limpidity which celebrates the natural world and makes the idea of all separation unbearable. This linkage of all things in a very small space is what separates the men from the boys among short story writers.

Or, this week, the women from the man: Andre Dubus' book is festooned with cries of approval, but after wading through wastes of self-admiring, self-pitying prose one longs for a bit of feminine rigour. These stories are of tough guys trying to be nice guys and vice versa, loving fathers undergoing the agonies of divorce, hefty hulks eaten up with jealousies over dumb girls – at inordinate length and with a deeply unattractive undercurrent of casual violence. Yet the whole thing is cloying, overheated and soft-centred and far, far too long. Reading Dubus is like being shut in the locker-room after the match, for a very, very long time. Thanks, but no thanks.

Mary Hope

PERSPECTIVES

The long, long search for missing GIs

Is Hanoi hiding Americans in the jungle? Justin Wintle thinks not

DESPATCHES • Vietnam •

I WAS staying in Hué, the ancient imperial capital in central Vietnam, when a man offered to show me the bones of four American soldiers. I had given my minders from the Ministry of Information the slip one afternoon, wandering a mile or so from base, when I was accosted by Mr Nguyen.

In a babble of French and English, he told me he was a former employee of the Saigon government and, therefore, *persona non grata* with the present regime. He invited me into his house and went on a bit about his daughter in Los Angeles, and about Jesus.

I was thinking how best to make my escape when Mr Nguyen lowered his voice and told me about the GIs. He showed me a piece of paper secreted in a short length of bamboo. The paper bore the imprint of a GI's disc: KING/ORVILLE D./348 44 9152/A NEG/BAPTIST.

I declined to view corpses, not wishing to jeopardise my standing with the Vietnamese authorities – essential to my work. Also, I had heard about racketeers who dealt in human war relics. I did, however, tell Mr Nguyen that if he gave me the paper and his address, I would see to it that the US authorities were told.

Many influential Americans insist that US servicemen listed as "missing in action" (MIA) remain alive in hidden jungle camps. The Hanoi Government resents this accusation bitterly and says the idea is merely a trick to justify the continuance of America's trade embargo. When later I interviewed Foreign Minister Nguyen Co Thach, he told me he had offered repeatedly to take anybody anywhere they wanted to see for themselves that there were no POW camps. But his offer had never once been accepted.

In case I had been seen talking to Mr Nguyen, I gave my interpreter an outline of what had happened. He became agitated and told me, more or less: "You see what happens when you go walkabout without anyone to look after you!" I also mentioned the episode to a diplomat. His advice was to keep quiet until I left the country and then call on Lt Col James D. Spurgeon III at the US Embassy in Bangkok.

I duly called on Lt Col James D Spurgeon III. I was ushered through a series of security checks until I arrived in the offices of the Joint Casualty Resolution Centre, a division of the US Department of Defence which was set up eight years ago.

Bell scrutinised Mr Nguyen's scrap of paper, had it photo-copied, then looked up Orville D. King in the register of MIAs. There were four or five Kings but not one of them was an Orville D. Rather as I had expected, the thing was a hoax of some kind.

Having gained access to this little super-power sanctum, however, I was loath to leave at once. I asked Bell if we could discuss the MIA issue in all its aspects. Knowing what I meant, he suggested that perhaps I should meet the colonel after all.

Spurgeon was a tall, suave man who, in civilian dress, might easily have passed for a New York publisher. "Do you or don't you have any hard evidence that there are any Americans still held prisoner in Vietman?" I asked.

It was not that Spurgeon hedged his answer that intrigued me: it was *how* he hedged. No, he said, there is no conclusive evidence. "But we're working on it. We're getting closer all the time."

His office, he declared, was getting reports every week. They were being sifted, assessed and correlated constantly. Yes, many of the reports were thoroughly dubious. Many Vietnamese wanting to leave Vietnam believed their chances of joining the Orderly Departure Programme could be improved by fabricating stories about Americans they had met inside "re-education" camps.

Plenty of sightings of Americans at work in the jungle turned out to be of Russians, Cubans, Swedes or Australians engaged in legitimate aid projects. But, every so often, a report came in that didn't fit these categories. "And at some point, when we have enough of these, they'll begin to correlate," said Spurgeon. "Then we'll be in business. Then . . . we can go in hard."

He dismissed Foreign Minister Thach's challenge as "meaningless," adding: "Sure, we can tell Thach we have reason to believe there are POW camps on such and such a hill in such and such a sector, and he can take us there in his chopper. But any Americans will have been removed well in advance."

Evidently, it hadn't occurred to Spurgeon to get airborne in Thach's helicopter first, then give him the destinations. But then, Spurgeon doesn't have any destinations. Besides which, if Vietnam did retain any American prisoners after the war, it is likely they were killed long ago. The Hanoi Government has too much to lose by keeping them alive.

Meanwhile, the Defence Department, by sponsoring James D. Spurgeon III in his assignment, helps to inhibit the establishment of US-Vietnamese relations – a move so clearly in the interests of both countries. To do this, it indulges in a curious piece of double-think.

The continuing belief in the existence of some MIAs in Vietnam indicates that the department does not believe the Vietnamese would do away with any POWs who were left behind. Thus, it affirms Vietnamese state propaganda: that the concerns of Vietnam are essentially and exclusively humanitarian.

Yet, it is because Washington maintains that Vietnam is not humanitarian enough that the US resists cancelling the trade embargo and responding to Hanoi's overtures of peace and friendship.

The Active Citizen

The outcast's outcast

Rachel Johnson meets Lord Longford, one of the most distinctive and eccentric figures in British public life

AT 84 years old and six feet two inches tall, wearing a suede waistcoat and Irish rugby union tie, Lord Longford manages to cut a distinctive figure without a trace of conscious eccentricity.

With his trademark hair – frizzy grey bushes giving shade to his ears and domed head – he is as familiar a sight to waiters in Victoria, south London, and the capital's Tube travellers, as he is to politicians, prisoners – whom he visits – and fellow peers

As an active octogenarian, his longevity has been accompanied by a public shift in attitude. His views on certain subjects – embryo research, homosexuality and pornography among many others – manage to provoke. Horror continues to be expressed when he speaks of the transformation undergone in prison by his most renowned acquaintance, Myra Hindley, the Moors murderess. But the public has definitely softened towards Britain's most energetic and campaigning peer.

"What's the trouble?" he demanded. "No-one's being nasty to me any more. Aren't they frightened any longer?"

Despite his odd nostalgia for the times when people were nasty rather than respectful, Lord Longford's notoriety and indefatigable vigour have hardly dimmed with age. He recalls with pleasure a visit to Rosie Johnston – imprisoned for buying drugs for her friend Olivia Channon, who died after a drugs overdose in 1987.

"'You must have done something pretty bad for that old nutter to visit you,' the inmates said when I went to visit Rosie. She said, 'He's not an old nutter at all. Bugger off!'"

Lord Longford's charitable urges started when he was a schoolboy at Eton, a public school better known for social prestige than good works. His uncle, a merchant banker, started a boy's club in the East End of London, which the then Frank Pakenham, a teenager, used to visit regularly. He says his first conscious act of charity was playing football twice a week with the club's team.

At Eton his fervent religious beliefs were engendered. He reads the Gospels and says prayers daily. At Oxford he got a First in Politics, Philosophy and Economics. He says the influences on his life are "my mother and being Irish. My mother was rather cold to me."

He has called himself, in an interview with *The Irish Times*, an archetypal Anglo-Irishman: on the one hand a Lord who sits in the Palace of Westminster, yet on the other hand brought up in West Meath, southern Ireland.

With such a privileged background – he is the second son of the fifth earl of Longford – his long life as an active citizen was a matter of conscience.

"I'm not ready to go out as a missionary to the Congo. I've had the rewards of public life. But I've the feeling that it is really rather ignoble unless one is helping someone else." He says he is always happier if he has done some good during the day, conscious of having gifts and privileges which he ought to use: he is a Socialist, he says, because he is a Christian.

Since Oxford, Lord Longford has had many lives. He was a don, a bank chairman, a soldier, publisher, and minister; he has founded charities for prisoners and written many books. He is father to seven surviving children ("I'm awfully glad they are not homosexual") and husband to Elizabeth Longford, historian, author, and beauty. Although he lists no recreations in *Who's Who*, he walks for long hours in jodhpurs, and plays tennis.

At 84, he still visits a prison a week. He is passionately committed to his work in the Lords, and rather despises peers who never attend. He has spoken nine times this year and opened the debate on the Probation Service. He has a book on suffering being published by Collins this autumn, and one on punishment and the punished is almost finished.

Shocked but not surprised by the riots in Strangeways, Manchester, and other prisons, Longford says the attitude to prisoners has "deteriorated." A cause of much sadness to him is the abandonment of what he calls the "rehabilitation ideal." Overcrowding – the proximate cause of the current spate of unrest – is a result of the Home Office's primitive attitude to crime, he thinks.

However kaleidoscopic his life appears, he says it is driven by one thing: a lifelong reading of the Gospels. He does this for half an hour every day. "The Christian answer to 'Why me?' is what Christ says in the Gospels: give up all you have and follow me."

Although he is as zealous as most converts, it is difficult to tell how he regards those who do not daily follow Christ. When he mentions people he admires – Jack Profumo, Nelson Mandela, Baroness Cox, Cicely Saunders – he does so without reference to their religious beliefs.

And Longford finds it surprisingly hard to define what it is that separates the do-gooders from the do-nothings. He finally alights on the notion of concern, whether practised by him in Pimlico, west London, or in Africa's Eritrea by Glenys Kinnock.

He says it is difficult to talk about himself without seeming to boast – and he likes to turn the tables on his interviewers by asking piercing questions about their religious beliefs. In the final self-analysis: "I am a public relations officer for care. The outcast's outcast."

Genius of the Place

Down on the heron priested shore

Nigel Spivey casts an English eye on the town of a Welsh poet

LAUGHARNE IS a small town on an estuary in west Wales, and there are three things to say about it. The first is that it runs a powerful little rugby club, and I can vouch for that with my own display of bruises. The second is that it has an elegantly-ruined castle, once painted by Turner, and tipping from its battlements great crocks of golden gillyflowers. The third thing is that near this castle once lived Richard Hughes, author of *A High Wind In Jamaica* and other peculiar classics of the mid-20th century.

Quite enough for any small Welsh town by the sea. But – have I forgotten something? Yes. Of course. Being where it is, Laugharne has an alternative name, in Welsh: Talacharn; and not just one alternative Welsh name, but yet another, which is Llareggub (or Llaregyb, if you want to disguise the crudity of the schoolboy humour). That invertible damnation of Laugharne came from its most celebrated former resident, Dylan Marlais Thomas.

His little boathouse, set on stilts by the water's edge, quite takes the attention away from the castle; and his literary reputation quite overshadows that of Richard Hughes, at least in popular circles. So it is that Laugharne is billed as the capital of "the Dylan Thomas country" – what was once Carmarthenshire, describable either as the point at which the M4 surrenders its course, or as one of the last pockets of decent countryside left in the British Isles.

By "decent" I mean that it is both green and pleasant but it also works: it has not been turned into a National Park, nor colonised by city-based country-lovers. The local farmers keep their hedges because hedges are still useful; if they are going over to organic methods, it is because there are profits in organic produce. So: prior to large Eastertide orders from France and Italy for their tender flesh, lambs are bouncing about; the kites collecting bits of fluff for their nests; and Tom tit, and Dai mouse, all busy with the springtime in Dylan Thomas country.

For a small Welsh town by the sea, Laugharne gets plenty of visitors. Busloads of Americans make it beyond the end of the M4. The town responds in its way. Brown's Hotel, where Thomas swilled his beer, has a sign that roughly reproduces the Augustus John portrait of the poet. The Boat House is open to visitors. And there is an excellent bookshop over the road from Brown's, to satisfy serious literary visitors. Otherwise, the town goes on in its west Welsh way.

It is still possible to feel that Laugharne is *Llareggub*: that PC Attila Rees is on patrol, that Mrs Ogmore-Pritchard has just caused a lace curtain to twitch; that Nogood Boyo is down by the river, poaching trout or torturing a kitten. The rhythms of Anglo-Welsh speech that Thomas reproduces so nicely in *Under Milk Wood* are still to be heard. And you realise that the poet made few efforts to conceal his sources by altering the topography of his setting.

Indeed, Laugharne is a grand place for rumbling Dylan Thomas. He said once that reading his poetry aloud was like letting the cat out of the bag; the visitor to Laugharne discovers further secrets simply by going to the little blue hut where Thomas composed, and looking over the estuary – the dab-filled bay, with its parliaments of gulls, where herons and cormorants pursue their sustenance, and small boats are keeled over on the shiny mud. Either his later poems offer a commentary on this marine landscape, or else that landscape has not changed at all in honour of the poetry. But such critics of *Under Milk Wood* who think its setting and characters fantastic, and puzzled transatlantic admirers of the poetry, will do well to come to Laugharne. The place explains a lot.

Dylan Thomas

I was deeply fond of Dylan Thomas when I was younger, and was then persuaded that he was a young person's phase: full of melodies and rhetorical postures. It has taken not only a visit to Laugharne, but also a spell of living in west Wales, to bring me back to a liking and an understanding of Thomas.

Academics (of the Cambridge Leavisite sort) would never understand that a pub full of voices singing *Land Of My Fathers* can be a deeply poetic experience. Nor would they know of the background strains in Thomas' work. I'm not thinking of the Celtic bards so much as the Nonconformist preachers in these parts. The Dylan Thomas country is the very area to which Stephen Hughes brought Congregationalism, founding 100 chapels in his lifetime; and you get some idea of the Congregationalist tradition around Carmarthen when you learn that Hughes seldom preached without melting into tears.

The morality subsequently built into local communities also explains Thomas' juvenile sense of humour. Reading the accounts of his tours of America, the last of which hosted his dramatically drunken death in 1953, you realise that Thomas was no more than the little boy who comes down to an adult dinner-party and says "bum" to the company. This sort of sauciness – the same brand of sauce that produced the *Carry On* films – is actually only possible in a chapel-dominated society.

Put Dylan Thomas into the context of Laugharne, and you are well on to the way to understanding him. Peering in at his dusty little workshed, you may look for signs of his craft. Looking out over the estuary, however, will move the most prosaic soul to poetic hankerings. And then you have to admit that Dylan Thomas did it well.

■ Dylan Thomas' Boathouse, Laugharne, is open from Easter to November. Tel 099-421420 for further details.

Coin scandal

Continued from Page I

heart-searching at the Bank of Japan because it announced last November that some of the 100 tonnes of gold left over from the Hirohito issue would be used for another coin to be launched in the autumn this year.

This one will celebrate the enthronement of the new Emperor Akihito.

The original plan was to issue a coin very similar to the Hirohito. But Japan's Finance Ministry recently announced a change of plan. The Akihito coins will contain more gold and be thicker than the Hirohitos – each will contain 30 rather than 20 grams of gold and will be minted in a way which makes them more difficult to imitate.

At current gold prices that change will cost the Japanese authorities $400m, but if they sell the whole issue, as they expect to, they will still make a profit of $800m.

In spite of the increased gold content there will still be only about Y60,000 worth of gold in the Akihito coin which the Japanese intend to sell for Y100,000, so if there are forgers they will be looking forward to another potential financial killing.

Even before the Hirohito was launched, the Japanese and their gold coin advisers must certainly have been aware of what can happen when there is too wide a premium between the face value of a gold coin and its precious metal content.

At the end of the 1970s when inflation was roaring ahead, demand for the UK Sovereign gold coin became so great that the Royal Mint could not keep pace and produce enough.

The premium quickly rose and Sovereigns were selling at 140 to 150 per cent of their face value. Almost immediately forgers got to work in the Middle East. However, those forgeries were easily detected. Most of the forged coins were of a much better quality than the Mint was churning out.

Ouch! turn it off

THERE MAY be filthier forms of pollution – like the stuff we city dwellers have to scrape off our shoes – but my private nightmare is noise.

The drip-drip of piped music, in bars, restaurants, lounges, lavatories and lifts, is for me like the water torture. Continuous, unstoppable noise is the worst kind: the dead synthetic beat of the next bloke's walkman on the train is far more upsetting than the heart-stopping boom of a low-flying jet fighter.

How many noise-sufferers are there? Nobody bothers to find out. Comedian Spike Milligan, who suffers from manic depression, told the *Daily Telegraph* recently that one of his worst afflictions was ordinary, everyday noise: yapping dogs, motorbikes, piped music, radios.

Whether at home in the garden on Sunday or travelling at the ends of the earth, noise pollution is inescapable.

I remember being on a train travelling back to Peking after three weeks of visiting factories and interviewing dour Communist Party officials. I was desperate for sleep. A loudspeaker in the compartment was belting out some propaganda message about personal hygiene. I took out a knife and advanced on the squawkbox. It was only when my travelling companion Mr. Huang fell to his knees and begged me not to implicate him in a crime against the state that I drew back and hurled a pillow instead.

I sometimes go out armed with nail-clippers. Once or twice I have climbed on a chair to rip the wires from the back of a loudspeaker when the pub

Christian Tyler rages (quietly) against noise pollution

manager refuses to turn down the volume. When I ask the waiter in a restaurant to do the same, he goes off pretending to consult someone then returns minutes later to say sorry but the other customers enjoy it.

The right riposte here (depending on whom you are with, of course) is to call his bluff. Demand a ballot. Stand up, call for silence and ask the other diners whether they want the music or not. Many of the big companies who own hotels restaurants and pubs have no policy for noise. It is left to the discretion of the individual manager. But I learn that the Berni Inn and Pastificcio restaurant chains, owned by Grand Metropolitan, are supplied as a matter of course with a choice of 16 tapes suitable for different times of the day. Managers will turn the music down if asked, but not off, according to a spokesman.

Bass, the largest owner of tied houses, said everything was carefully researched. Not all their pubs had music. But in those that did, the music would start low at opening time and be turned up as the place filled. Staff were trained to deal with protesters "politely and competently".

This is a rather different policy to the one followed by the hotel manager who said the point of piped music was "to take the edge off the quiet".

Michael Slagle, general manager of two big Nottingham hotels owned by the Queens Moat Houses group, said he had music in all but his most up-market restaurant. He admitted that he had never tested public opinion on the matter, but thought that in a big hotel when things were very quiet it was nice to have the tape going. He said complaints were very rare.

"A friend of mine who is an opera singer detests it. But people like him are in a minority," he said.

The minority may be getting more vocal. It has recently been reported that the combination of heavy metal music and alcohol can make people dangerously aggressive. Doctors are beginning to worry about teenagers' hearing. A sign has gone up at London Bridge Station to warn that annoying other passengers is an offence.

You probably did not know that under British Rail's Byelaw 22, no person upon the railway shall to the annoyance of any other person sing, perform on any musical instrument or use any gramophone, record player, tape recorder or portable wireless apparatus.

In other words, if the bloke with the noisy walkman tells you to clear off, you can report him to the guard and have him removed and even fined up to £200.

Try it. I suspect that unless more people do, only those who suffer from noise will realise how depressing, how enraging, noise can be. Give me nitrates or listeria any day. The most they can do is kill you.

ARTS

Alastair Muir

Debra Michaels and Adjoa Andoh as mother and daughter

Carnival passions

***Claire Armitstead** reviews the black musical Glory!*

THE ARRIVAL in London of *Glory!*, a musical collaboration between Derby Playhouse and the black theatre company Temba, makes an interesting point about the relationship between structure and space. Here is a calypso musical, which takes its form from the free-flowing exuberance of Caribbean carnival, but which has been boxed quite inappropriately into the Lyric, Hammersmith's proscenium stage, its musicians tiered tidily to one side (out of sight from my seat in the stalls), giving undue prominence to the snap of on and off of the microphones, which marks the boundary between the spoken and the sung.

It is a boundary that, in the show's own terms, should not exist: just as in *Mass Carib*, Felix Cross used – and abused – the structures of the Latin mass; here he mines a calypso culture for its harmonies and dissonances both stylistically and thematically. Gyrating carnival archetypes overshadow the central storyline, while on a second level the Prime Minister of the newly independent island on which it is set employs a musician as his adviser in the belief that he has the ear of the people.

The struggle for political emancipation is reflected in the tragedy of Glory, a young island girl abused by her father and betrayed by the Church, a bulwark of the white establishment which her parents attend with a hypocritical devotion, shutting ears and minds to the charismatic style of worship espoused by the ordinary islanders. In their starched suits and solar topis they are as out of place and out of tune as the Cambridge-educated premier on his soapbox of Latin quotation.

Just as the islanders have to exorcise the forms and structures of colonialism before they can claim to have found true independence, the only way out for Glory is a drastic one: just before Easter, as the carnival passions are rising outside, she dispatches her family with poisoned fish during a symbolic last supper. Her execution is her emancipation, and it is sublimated in a final frenetic fusion of the carnival with charismatic religion.

Cross's exploration of the musical is always interesting and potentially thrilling. He wraps a striking scenario in some strong and catchy tunes, but in this case fails to make his structure work – at least partly through the fault of anenvironment which, ironically in the context, is designed with quite different theatrical models in mind. Earl Warner's production struggles nobly with these disadvantages, providing some lively ensemble playing fronted by a marvellous performance from Adjoa Andoh, whose passionate, grainy voice provides a poignant contrast with her role as the injured ingenue.

Although Debra Michaels' youth makes her an odd choice for Glory's mother, Marc Matthews, as her father, captures the mewling ingratiation of a well-meaning inadequate buoyed up by effete structures of a false family closeness. Oscar James, as the puppet Prime Minister, has a salubrious sleekness, with a convincing capacity to break into a moral sweat when the screws are turned too forcibly by his white masters (Godfrey Jackman's stony governor doubling pointedly as the dishonourable priest), while Chris Tummings has an uncloying decentness as Glory's long-suffering boyfriend.

Games with life and death

***Martin Hoyle** reviews the RSC's riveting new production of 'Troilus and Cressida'*

FOR ALL its apparently modern cynicism, *Troilus and Cressida* runs the risk of monochrome monotony in performance: a sour threnody to civilised values as the exhausted and self-indulgent play games with life and death, and personal integrity shatters under the pressures of expediency. The crowning virtue of the riveting new production at The Swan, tipping the RSC's already goodish Stratford-upon-Avon season into greatness, lies in the evocation of a whole society, including its extremes – what Shakespearian theatre is meant to do, in fact, but rarely achieves.

Pandarus salutes us in blazer and white flannels. The gossipy atmosphere of a community blockaded by war is perfectly caught: where a decent young prince and a high-spirited girl can have a guiltless affair in the slackened moral code of Ilium besieged or London blitzed. Amanda Root's Cressida has the ambiguity of youth. She can turn and swivel without losing sympathy, especially as Sam Mendes' production subscribes to the current theory of the helpless girl responding to Diomedes through sheer panic. Her welcome by the appreciative Greek camp is heavy with the threat of rape, however much at odds this is with the self-possessed pertness of her lines at this point.

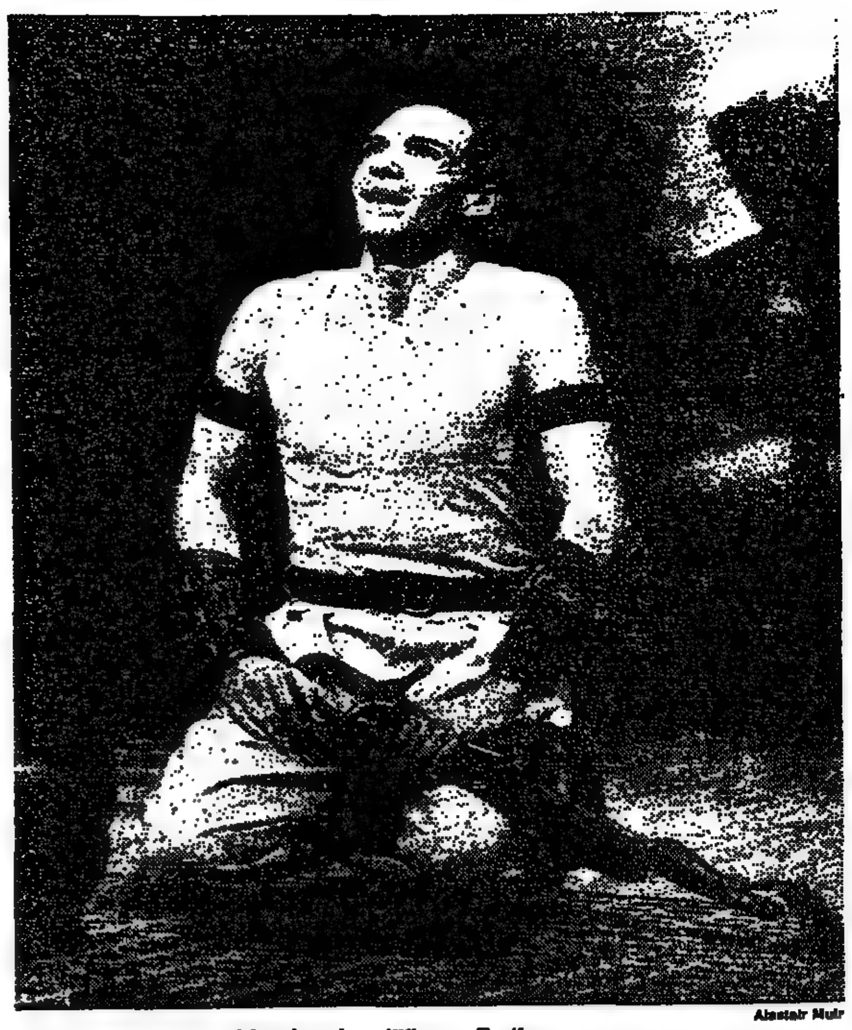
Troilus is a more straightforward proposition. Ralph Fiennes plays him as well-bred and mellifluously romantic, passion reserved for rage rather than love. If Kenneth Branagh's chunky humanity marks him out as Richardson's heir, Fiennes is in the Gielgud succession, down to the quivering vocal throb. With such notably youthful lovers, frowsy echoes of *Romeo* are clearly brought out, from Cressida's abashed regret at her impulsive admission of love to the morning after their first night together, when larks are displaced (typically of this play) by "ribald crows."

Not everything slots into place. Norman Rodway makes Pandarus such a jolly old sport, without either the self-interest or lubricious prurience usually seen in the role, that we wonder what's in it for him. Thersites has almost lost his position as licensed railer (recalled by the jester's coxcomb peeping from his knapsack) to judge from the incessant cuffing he receives from the Greek warriors; he would have been beaten into silence long ago. Simon Russell Beale, his leering Breughel face carved out of a potato, makes a tramp-like derelict whose near hysterical rage stems from helplessness. The mockery is very funny; but where exactly does the character fit in?

But, reservations apart, this biliously misanthropic demolition of romantic love, patriotism and personal honour holds the audience enthralled, harrowed and exhilarated for three and a *half hours*. *Against* Anthony Ward's epic set (brick wall, giant sculpted head, parallel bars for the human frieze to drape itself on), a superb company is displayed without a single weak link. The play has never been so clear-textured without losing its complexity, as epitomised by Paul Jesson's smoothly politic Ulysses, that born survivor. The great "Alms for oblivion" speech is immaculately delivered, every logical progression charted (at two levels: for the audience and for the sulky Achilles at whom its nudging coaxing is aimed). If it were an operatic performance Mr Jesson would be greeted with screams of applause and demands for an encore.

Invidious to select talent from the sweaty trench-coated Greeks or jackbooted, faintly Habsburg, Trojans; but a word for Ciaran Hinds' smouldering Achilles, Richard Ridings' boomingly pugnacious thicky of an Ajax and Grant Thatcher's incisively entrepreneurial Diomedes. Linda Kerr Scott's wizened wraith of a Cassandra presents the runt of the litter, the family oddball, neglect of whose unregarded cleverness has toppled her into dottiness. The production is full of insights: Hector (David Troughton)'s sudden intimation of mortality in mid-battle, eerily blue eyes glimpsing something beyond us; and the arrival, litter-borne, of a faceless shape swathed in gold which, lovingly unwound by John Warnaby's Paris (white riding-habit topped by a 1930s band-leader profile), discloses Helen, turned by Sally Dexter into a cross between Jane Russell and Hedy Lamarr. Drowsy with voluptuousness, drugged by sensuality, she lives and breathes sex; but the features grow momentarily sullen at the half-defined perception of how this love will destroy them all. "Cupid, Cupid, Cupid," she sighs, and fleetingly is as much a visionary as Cassandra. As the coughing Pandarus' farewell to us has it, "wars and lechery – nothing else holds fashion." A great performance of a great play.

Martin Hoyle



Alastair Muir

Ralph Fiennes: a well-bred and mellifluous Troilus

Ballet

Giselle with the Kirov touch

GREAT BEAUTY can be the only justification needed in the theatre or cinema for a performer. When it is allied to great artistry, it becomes a vital and potent aspect of that artistry rather than an adjunct of it. So it is with Altynai Asylmuratova, who appeared with the Royal Ballet on Thursday night as Giselle, partnered by her husband Konstantin Zaklinsky.

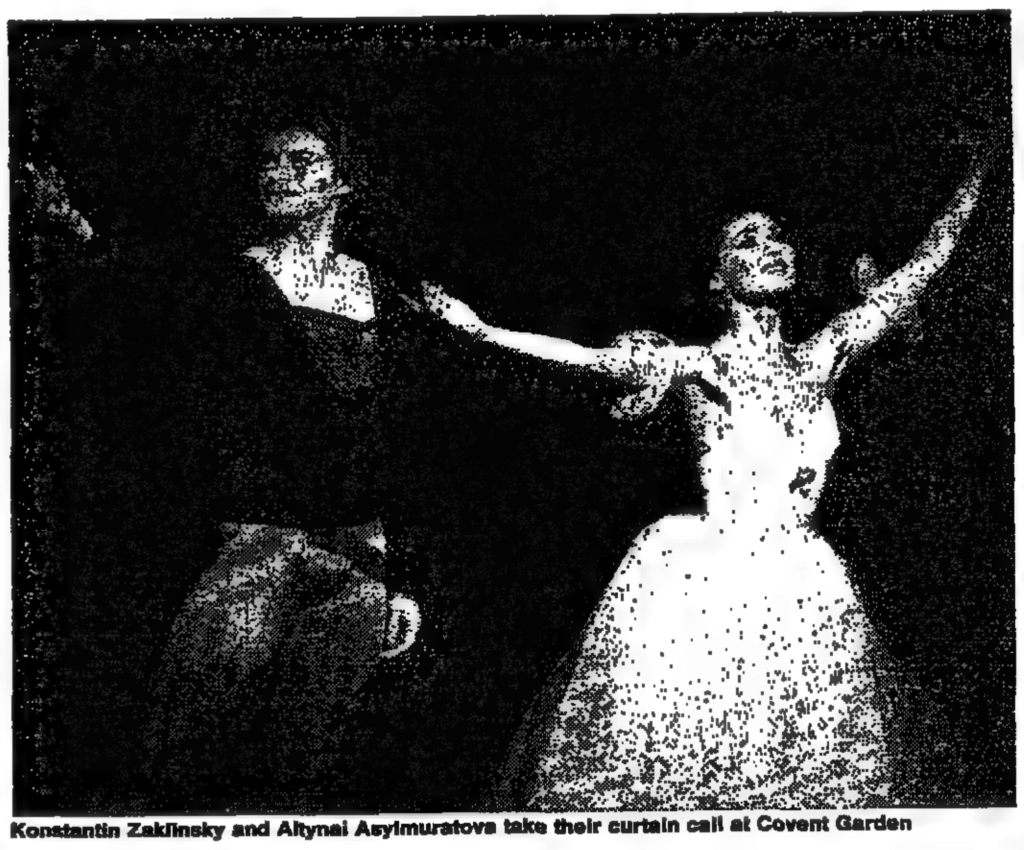
Asylmuratova's beauty – which is breath-taking – can be seen as the motivation for several of her interpretations. When, in *La Bayadere*, the temple dancer comes on stage and the veil is taken from her face, the exquisite fact of Asylmuratova's looks is reason enough for the obsessions and jealousy inspired by her very existence. In *Swan Lake*, Siegfried, seeing this Odette, has plainly met his fate. And in *Giselle*, the girl who emerges from the cottage is no shy village belle, but a creature so intoxicatingly lovely that Albrecht's thoughtless passion for her is made clear, as is her sunny joy in his adoration: the emotional argument of the piece receives new energy thereby.

Thursday's performance was in many ways a lesson about gulfs between Kirov and Royal Ballet standards. For Leningrad, *Giselle* is a work so purified and concentrated by a century and a half of repertory life that style and action have become as formally potent as a Noh play. The purpose of the staging is to serve a ballerina interpretation in which long tradition and individual temperament must be reconciled. The disjunction between Asylmuratova's intensity, every least action focussed, every excess burned away, and the dramatic flummery of her hosts, was as noticeable as the difference between the clarity of her Kirov costuming and the subfusc complexities provided by the rest of the cast and the setting. The grandeur and scale of her dancing – large in outline, ravishingly sustained in impulse – had to be set against the little vivacities and sweetness of the other women on stage.

Asylmuratova's first act is played boldly: extreme happiness moves to extreme anguish, in which we sense the wilis already gathering around the demented girl as her hands stretch out to the air. Her second act glides, drifts, floats, the movement full-toned, a richly sustained legato for all its vaporous air. Characteristically, she will seize on a small step, and without distortion, shape it *with such loving deliberation* that it gains a marvellous new importance. It is this physical intelligence which illuminates the entire ballet for us, its every hallowed moment made vivid once more.

Konstantin Zaklinsky brings no less imaginative sympathy to his portrayal: the deceptions and remorse of the first act, the fervours of the second, are played with sincerest conviction. We believe in this Albrecht, as we do in his well-mannered, well-shaped dancing. And his partnering is exemplary. Interpretations such as these are the life-blood of the classics. Without them, the old ballets are mere exercises. With them, they are the stuff of the theatre.

Clement Crisp



Konstantin Zaklinsky and Altynai Asylmuratova take their curtain call at Covent Garden

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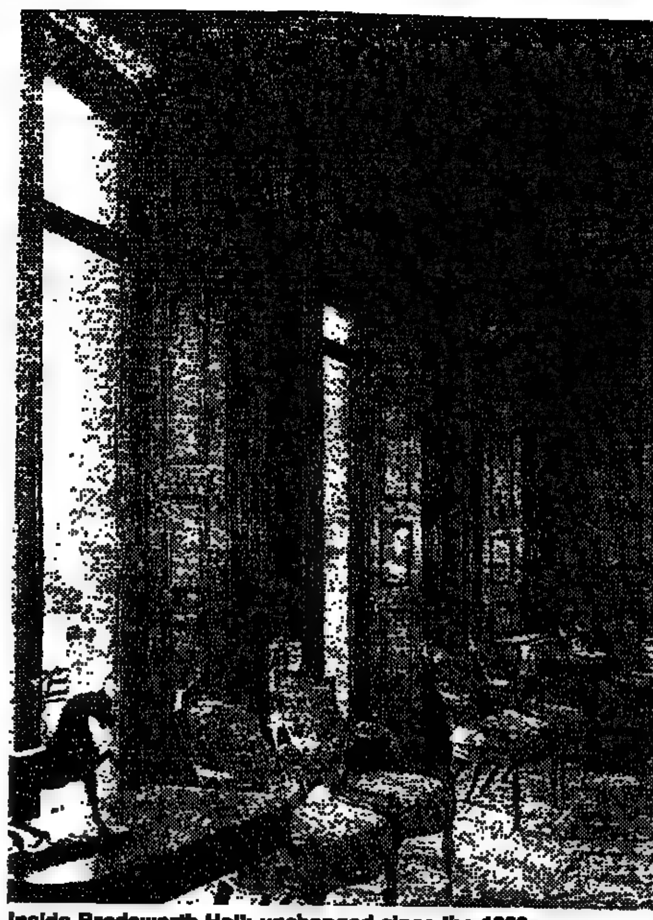
The next colour collecting page will appear on June 2nd.

The decaying charm of Victorian piles

*This week Mrs Pamela Williams handed over her family home to English Heritage. **Antony Thorncroft** discovered a time capsule*

THERE WAS a time when the smartest performers on the country house circuit were Georgian mansions, preferably by Robert Adam, stacked with French 18th century furniture and Old Masters. Now it seems to be the decaying Victorian piles where time stopped around 1865, leaving them awash with the flotsum and jetson of late 19th century rural pursuits, which charm the visitors. Last year the National Trust opened its celebrated "time capsule" at Calke Abbey; this week Mrs Pamela Williams handed the key of her family home, Brodsworth Hall, to Lord Montagu of English Heritage.

Brodsworth is a great curiosity. Its origins are bizarre; its history serpentine. It was built in the 1860s for Charles Thellusson, eventual heir of the Huguenot banker Peter Thellusson. He had died in 1797 leaving a will so perverse that it kept the lawyers in silk for over sixty years, a legal quagmire that provided Dickens with the basis for his Jardyce and Jardyce plot in *Bleak House*. By the time the courts had been satiated, an anticipated fortune of £35m had shrunk to £700,000. Still, it was enough for Charles to acquire an estate near Doncaster; to knock down a perfectly decent 18th century mansion; and to commission the Italian architect Chevalier Casentini to design him a new home.



Inside Brodsworth Hall: unchanged since the 1860s

Casentini never came to England and many of his plans were modified by a local builder, but Brodsworth is an Italianate house, a classical structure in an era when the Gothic ruled. The Chevalier gave it the wide airy rooms of his native Lucca and the breeze from the south was intensified by white marble sculptures from Italy – of a girl on a swing; classical couples; woodland nymphs – which remain one of Brodsworth's chief attractions.

For the curiosity about Brodsworth is that from the day the furniture started to arrive, mostly from the London firm of Messrs Lapworth, nothing has changed. The house would look completely normal to a weekend party of the 1880s. It is as if the gentlemen have just vacated the billiard room, with its plush seating around the sides (and handy thunderbox), and the ladies had drifted away from the cushion bedecked sofas in the south hall into the adjacent park.

Well, except for one factor. All the furniture and fittings, from carpets to chaise longues, bear the wear of 130 years, confronting English Heritage with a delicate task. How do you maintain items that are in disrepair? For the aim is to preserve Brodsworth as it is now, in genteel decline. Of course the roof and the portico must be shored up, and some of the more blatant examples of damp and mildew and worn curtains and rugs patched up, but visitors will see a house which has suffered decades of usage and benign neglect.

As battered as Brodsworth have been the fortunes of the Thellusson family. They seemed content to be south Yorkshire landowners, spending their resources on yachts and racehorses. Sometime the horses turned up trumps (one, Rataplan, was a consistent winner), but in time inertia set into a frivolous life style. Then, soon after 1900, the family fortunes received another boost when coal was discovered on the estate – there are three seams under the house. But a succession of quick demises took their toll in death duties and for the last thirty years Mrs Sylvia Grant-Dalton staggered on alone, a gay old thing who died in her nineties in 1988.

Her daughter has given the house to English Heritage which must spend almost £3m on structural repairs to make it a going concern. In return Mrs Williams received £3.36m from the National Heritage Memorial Fund for the paintings, the furniture, and indeed most of the contents, which range in bewildering profusion from the chaotic paraphernalia of a Victorian kitchen still with every pot, pan and pestle, through the contents of the linen cupboards (labelled "young gentlemens sheets;" young ladies sheets" and "visitors sheets"), to the exercise horse and the childrens games in the "bachelors'" wing bedrooms, to such modern accretions as a ticket to the Hunt Ball of 1939 and those little plastic figures of trolls that were popular around a decade or so ago.

The family got rid of very little over the years. As soon as you enter the hall with its box of shoe brushes, its bowls of shells, its rack full of sticks and umbrellas, its marble putti, you are part of a "heritage experience." It is obviously this spying on the lifestyle of the rich which appeals to visitors, who will be let loose on Brodsworth in two years time (after a brief showing in July). They will be most interested in the contrast between the library and the billiard room, and servants' quarters and the butler's pantry, two worlds separated by a door (although Brodsworth is oddly designed so that the servants had to bring food across a corridor into the dining room, coming into more contact with the gentry than was usual).

What is intriguing is the reminder of just how unsophisticated a rich Victorian family could be. There is only one decent picture, a Lawrence family portrait which consumed £600,000 of the Heritage Fund's money. For the rest there are indifferent studies of horses, marine pictures and the odd Dutch landscape. The furniture, too, is completely without distinction. Obviously the Thellussons worked their bodies rather than their minds, and the Doncaster Cup and various silver yachting trophies suggest some success. Seeing a house in extremis also reminds you of what a blighted inheritance a large property is these days. It cost around £2,000 a week to keep Brodsworth in its current precarious state. No wonder Mrs Williams was so happy to discharge her responsibility.

There is an obvious anomaly in one heritage quango handing over millions to enable another heritage quango to spend yet more millions saving Brodsworth. But it is such an unusual prize that the investment is sound. What will be difficult will be arranging the visitors so that they get close enough to the life style of Victorian England without destroying the delicate carapace, caught in the nick of time.

'Doll Girl' by master draughtsman John Ward, RA

Portraiture with relish

IN A time that has supposedly enjoyed a revival in the critical fortunes of representational art, certain British artists continue to suffer from critical prejudice and neglect. The Israeli still-life, portrait and figure painter, Avidgor Arikha, for example, who showed recently at Marlborough Fine Art, is at last represented in the Tate Gallery's collections, but I doubt there is as yet any question of acquiring a work by the senior English still-life, portrait and figure painter, John Ward, RA.

Ward's two current London exhibitions, the retrospective at Agnews (43 Old Bond Street W1: until May 24) and the miscellany of recent work at the Maas Gallery (15a Clifford Street W1: until May 21), make one wonder what on earth an artist must do to make that steep but arbitrary grade that so many younger artists of half his talent seem to skip up easily enough.

Ward is simply one of the most gifted draughtsmen of his time: which is half the trouble, for we were ever inclined to distrust such conspicuous facility. But the real trouble is his no less conspicuous relish in what he does. For Ward's art is not about ideas, in the respectable sense of later modernism, instinct with principle and analysis of the nature, properties and possibilities of Art, and all that.

What is Ward's art about? The Defence: As with so many of the best artists of the modern British school of the older sort, the answer can only be the immediate practical consideration of the visible world, first to come to terms with it, and then to celebrate it. Surely there is nothing wrong with that: look at Monet, Cezanne, Bonnard and Matisse even at their most bourgeois and hedonistic.

The Prosecution: Out of order, and what has French art got to do with it? Just look at what Ward does. He swans off to the south of France and Tuscany. He sits in Florian's all day. He paints the prettiest girls, with and without their clothes on. He has too good a time of it. Guilty as charged.

But he really is the cleverest painter, especially when the response is intimate and immediate to the subject. It is in the water-colours and the smaller oil studies that Ward is at his strongest and most brilliantly seductive. The customers are caught in rapt attention at the Christie's sale; the model sits with her legs lightly crossed, or stretches as languidly as a cat upon the sofa; beautiful women gossip furiously away at their table by the Piazza, mirror upon mirror on the wall, waiters peering through the door.

It is the penance of the portrait painter to accommodate his clients, and some of Ward's larger and more ambitious compositions do begin to sacrifice freshness and immediacy, the momentary, affectionate, graphic wit of the study, for a tighter finish and formal polish. But even then the fault is not inevitable. That large, so animated "Conversation at Florian's" is fresh and true as the gossip, and tells us that the British conversation piece is safe enough in Ward's brisk, skilful hands.

*

John Lessore, who is showing his recent work at the Nigel Greenwood Gallery (4 New Burlington Street W1: until May 26), is another painter prepared to put himself to the serious test of the conversation piece, though his subjects are not social but professional or domestic. His major preoccupation in this show is the classic subject of the Artist and his Model, which he treats in a number of large canvases and related studies, the artist standing above his sleeping model in the dark, cluttered studio.

He is an expressionist, but in no way headlong or indulgent. His method rather is dogged and persevering, his paint dense on the surface, the key low, the colour dour, the handling consciously laboured. There is nothing here of natural facility, free and light in the expression. All must be fought for and worried over. And yet, by virtue of this very application, there is to the achievement of the work a quality of intensity and integrity that rings true and is even rather moving. The celebration here, if celebration it is, is of the conspicuous labour and difficulty of painting, which no-one would deny. John Lessore is represented in the Tate.

William Packer

Woman into vampire

BRAM STOKER meets Havelock Ellis. Psychology versus the supernatural. Which interpretation of events is correct? *Tales of the Undead* at the Warehouse, Croydon, asks the question, half for laughs, half not. And leaves it unanswered.

Fifteen years after the end of Count Dracula, Jonathan Harker's wife Mina sends him to tell all to the famous psychologist of sex, Ellis. Harker, though married to Mina, is still haunted by the vampire Vorticia. In Act One, we see things mainly from Ellis's point of view. Harker is a typical mixed-up Romantic who has fantasised Mina into two women – the pure, vulnerable, domestic, real) wife with whom he's impotent, and the siren Vorticia to whom he escapes in adulterous fantasy. We see, in his fantasy, Vorticia herself; we even see her take shape, as vampires can, as Mina.

Vorticia is the play's great creation. What a hoot! Pallid, rosy-lipped, buxom, she's also as quiet, firm, efficient, genteel and unflappable as a doctor's receptionist. In Act Two we see things from her point of view. She still represents all Harker's illicit yearnings, and she's still absurd and voracious; but now she's also desperate and driven. She becomes the character most touched by pathos.

This play, written by Dominic Power, is a game, a juggling act. Now it's comedy, now psychodrama. In one scene Harker catches the psychologist with Mina but without his trousers; in the next, Harker finally begins to solve his own problems by discovering his wife as a real woman. We never know where the play's going to go next, which is part of its clever nuttiness.

But if you juggle, you must keep on changing the number and type of objects, and there are stretches when *Tales of the Undead* stays too long on one tack or another. The structure is neat, but not always the pacing. This staging – directed for Moving Target Theatre Company and Show of Strength by Martin White – keeps everything moving clearly. But all the acting could have more edge, more relish; and Jonathan Harker is too much of a wimp. The play is neither as poignant nor as wicked as it might be. When Ellis finally meets Vorticia, he should surely be far, far more dumbfounded.

Alastair Macaulay

Radio

More to politics than talk

PETER SISSONS'S new series, *Talking Politics*, began by discussing the televising of debates. Interesting as it was, this is really only talking about talking politics. It dealt mostly with predictable matters like turnout and manners, but it was not all so trivial. How Parliamentary privilege is to be accommodated was one important question; when speeches in the House are relayed to the public, the privilege is surely in danger.

An American lady who works at sharpening up Members' images reckoned that 93 per cent of their effect on the voters was made by factors other than their speeches. It's a useful 93 per cent; the *New Yorker* reckoned that the weekly American transmission was "the best show of the week." A pity our own television people haven't a similar idea. We might have longer extracts in our news bulletins, replacing funerals of murder victims and interviews with people who live next door to fires. But there, television is not my scene; news bulletins, snooker and *The Bill* are my general ration.

A lower level of political activity was presented in *Every First Wednesday* (Radio 4, Monday), which gave us an afternoon with the Lord Mayor and Councillors of Sheffield at their Town Hall. It was like a programme of First Readings, and, as the presenter Rony Robinson told us, the decisions are made elsewhere. I am all for local government, but it's not, as one Councillor claimed for it, "a theatrical performance."

Politics arose unexpectedly in *Tongue of Tongues* (Radio 3, Sunday), a feature about the Hebrew language, almost unspoken for 2000 years, now the national language of Israel. Eliezer Ben-Yehuda, a Lithuanian, began to restore it as a symbolic gesture halfway through the last century; he would not allow his wife or children to speak anything else, and he had to invent new words from Biblical origins, such as words for "dictionary" and "newspaper". "Religion," he said, "is not a strong enough national matter." He also maintained that the Messiah would not come unless one spoke only Hebrew.

Now it is so firmly established that it even embraces pop-style Coca-Cola advertisements, and young people, who have introduced their own slang, think it part of their youth-culture. With so many new immigrants, it is so vital a universal interchange that Israeli radio gives three minutes every morning to correct false accents.

Radio 4's Monday play, Vaclav Havel's *Redevelopment* is of course political, and it was good to hear it again (I wrote about it last October), because people are now saying, yes, he's a great political figure, but is he really a good playwright? Yes, he is. In this play, as in many of his, we see experts distracted from their work (they are redeveloping an ancient town) by foolish contradictory orders from the government. When he is free from politics and from "redevelopment," Havel may astonish us.

I am usually glad of a Rattigan revival, but why not revive the good ones? Where are *The Browning Version*, *The Deep Blue Sea*, *In Praise of Love?* The Birmingham Rep has just produced *Flare Path*, a sentimental wartime romance, and last Saturday Radio 4 gave a repeat of *Bequest to the Nation*, about Nelson and Lady Hamilton, not admired even when new.

Its sound, well-cast production under David Johnston had Michael Bryant as Nelson and Sian Phillips letting her hair, and indeed some other items, down as Emma Hamilton. Bridget Marrow's adaptation ably conveyed the double plot, Nelson's choice between Emma and the command of the Fleet, and his nephew George's (David McAlister, a bit old for 16) vital influence on his conduct. But I missed the needful impact of the scene on the *Victory*, which includes Nelson's odd bequest – Emma! – and his near-suicidal behaviour on deck. Trafalgar might as well have been fought on Nelson's dining-table. Rattigan's fault, perhaps.

B.A. Young

Property Plus

Here come the 20th century Tudors . . .

Today's new-built homes have space-age interiors but olde-age looks, according to John Brennan

Show home: The Regent, built by David Wilson Homes in Kenilworth in Warwickshire

AFTER THE Georgian 1980s come the Tudor 1990s. That's the consensus view that emerges from the housebuilders' external design ranges in the last decade of the 20th century.

It's a step back in time that reflects the continuing reluctance of British new-home buyers to accept contemporary residential architecture. As the outsides get older the insides, in contrast, become increasingly sensitive to home-buyers' interest in running costs, in ergonomic and effective layout. Extrapolate the evolution of UK house design into the next century and we may live to see a revival of wattle and thatch facades around post-space age insides.

In the meantime, no matter how many beams are added or how much leading is attached to the window panes to create a cottage effect, actual new homebuyers are few and far between. The winter sun brought out the viewers; Chancellor John Major's interest rate rise sent them back in again. However, the spring sun filled the development sites and show houses once more, and housebuilders across the UK report visitor numbers over the Easter weekend that near rivalled the heady days of 1988, when half a dozen bricks piled atop each other was enough to attract a queue.

Whether these visitors turn into buyers depends to a great extent upon the news over the summer. If both builders and agents are correct, evidence of stability in the economy — or at least even a lack of news either way — would be sufficient now to activate those prospective buyers who have been deferring a move for a year or more. Too much news, or even the merest hint of a possible further upward twist in interest rates, and, in the words of Mike Davies, marketing manager of Beazer Homes' mid-England subsidiary, Monsell Youell Homes, "then God help us all."

Davies, with a marketing background at Trafalgar House's Ideal Homes, has his own ideas about the changing pattern of new home building that we can expect in the 1990s. Even beyond the current housing market slowdown he doubts if there will ever be a return to the days when new homes could be sold on the basis of housing supply shortage alone. "People have become far more discriminating. They are becoming more willing to pay the premium for a new home if they can see that it has the quality they want."

In common with the rest of the industry, Beazer has held back on the development of new sites and completion of existing housing schemes while sale volumes have been so thin. It has also joined the competitive battle to win what few buyers are around with its own range of price discount offers, home loan financial packages, equity share schemes enabling first-time buyers to defer the costs of purchase of part of their new home, and a part-exchange scheme to break the sales log-jam for existing owners by buying their existing property at an agreed valuation in exchange for a Beazer house. But looking beyond the site deals available at the moment, new homes simply cannot compete on price terms with old.

The medium term outlook for new home sales depends on that willingness of buyers to pay the 10 to 15 per cent premium over the cost of an equivalent-sized older home that is inherent in a property built at current site and construction costs. Short of a radical reduction in land costs (which is improbable) or a cut in building costs (equally improbable) sales depend upon the acceptance that new equals greater value for money than old.

Mike Davies sums this up from a housing marketing man's viewpoint as "the situation where a homeowner looking at a tired kitchen decides that it is better value to buy a new home than to face the costs and disruption of getting a new kitchen fitted." As he says: "It would cost £10,000 or so to rebuild and fit out a new kitchen in a family home these days. That's the premium on a new home with everything fitted."

It is in the area of fittings and interior design that the housebuilders win out on costs in the comparison between new and old. Taking an average-sized three bedroom house, Davies estimates that it would cost around £8,000 for a builder to fit out the property from bare walls to a basic plaster interior, and only another £4,000 or so to get to a fully fitted state, with double glazing, central heating, fitted kitchens and bathrooms.

Until now, builders have been reluctant to spend the extra money on fittings on "average" homes. The theory has been that buyers are so price sensitive that they would prefer £800 or £1,000 off the sale price of the property to having it properly double glazed from new, even though it would cost at least twice that amount to fit less efficient and more disruptive secondary double glazing later. That attitude is changing as buyers become more aware of the running costs of their home and start to differentiate between old and new on efficiency and longer term costs as well as immediate cost terms.

That, in any event, is the theory. Whether it survives the return of more normal trading conditions remains to be seen. In the meantime, the housebuilders are having to discount costs and improve the quality to win sales, and anyone considering a move currently has the bargaining power of a car buyer turning up at the dealers to find them with forecourts full of vehicles with last year's registration and with this year's supply due to arrive in a matter of months.

As for that ageist attitude to the look of the property, Mike Davies sums it up with the most common viewer comment, that: "what they really want in the look of their home is 'a bit of character.' People want to live in a house that shows people how successful they are. It's all a matter of curb appeal." And in the 1990s, status and curb appeal clearly equates to an earlier Elizabethan age.

Top Ten UK Builders by Volume (1989)

Company	Homes built
Tarmac	13,000
Wimpey	9,500
Barratt	7,800
Beazer	6,066
Ideal	3,800*
Laing	3,500*
Lovell	3,300
Bovis	3,000
Wilcon	2,800
Costain	1,000*

*Estimates allowing for different year ends.

Dishes with no dash

John Brennan takes satellite TV receivers to task

ON APRIL 29 British Satellite Broadcasting will launch nationally its satellite television service and BSB's "squarial" will join the round satellite dishes of Sky. These dishes are appearing in the oddest places. It was chimneys that sprouted TV aerials when Bill and Ben, the childrens-programme flowerpot men, conversed with Weed, and Persil relied on black, white and intermediate greys to embarrass housewives into washing whiter. Now, to view space-bounced repeats of Rambo, parts 1 to infinity, receiver discs are being screwed on to walls, porches and side-roofs with little apparent control.

The Town and Country Planning regulations give virtual carte blanche to satellite dish installers to make a visual mess of their homes and annoy the neighbours. The Association of District Councils is now campaigning to get the current rules (or lack of them) tightened up. But as it stands, under the 1988 General Development Order, you can install, alter or replace a satellite antenna anywhere you like — even in a Conservation Area or a designated Area of Outstanding National Beauty.

The only limits are that the dish should not exceed 90 cms across, that you can only have one such antenna per home, and that the highest part of the antenna should not be higher than the highest part of the roof. Which leaves the front of the house, and anywhere else that the installers' ladders can reach, to bolt on a dish.

With an estimated 600,000 dishes in place by the end of this year, and, if the satellite TV companies' targets are achieved, as many as 8m more on the way, The Association of District Councils is now lobbying Parliament to get the dishes brought within planning regulations in the hopes of persuading people to install them with more consideration for the look of the things from the street.

The fact that there are no controls, even in Conservation Areas, particularly upsets the Association. Individual councils can apply for Planning Control exemptions to impose their own local regulations, and Boston and Purbeck are, thus far, the only two places in the country where you have to take care about dishing the look of your street. The problem for the councils is that, if they do apply for local controls, they become liable to pay compensation if they have to order a homeowner to move an unsightly aerial.

Perhaps a nationally organised whispering campaign against owners who tack a satellite dish to the front of the house might help embarrass them into more sociable behaviour, although the suggestion that they are all repeat Rambo viewers might seem embarrassment enough . . .

Get ahead — get a garage

THE GARAGE is a turn of the century French export to the English language. It crossed the Channel on a fashionable waft of petrol fumes after being adopted from the railways' *gare* by motorists keen to distinguish the oily stables of their new Panhards and De Dions from the more prosaic straw-strewn variety.

A century later, the garage emerges as one of the single most valuable pieces of residential real estate you can own. Nationally, according to one of the more pleasingly off-beat pieces of research by Nationwide Anglia Building Society, a garage adds 11.6 per cent to the value of a house.

As the society's house price watchers report, "In 1989 a property with a garage typically sold for over £7,000 more than one without." Without too many loan applications to fill the day, the societies' research teams can calculate less than vital data. Pricing garage values by region is one such exercise.

In trivial pursuit of the most valuable garages in the country you must close your mind to tales of £30,000 central London car slots. Look instead to Yorkshire and Humberside where, as Nationwide Anglia reports, a home with a garage is worth 17.8 per cent more than one without. Of course, in regions with average house prices of £52,167 with, and £44,299 without a garage, the homeowners of Yorkshire and Humberside may prize a home for the car more than most.

You have to turn to the West Midlands to find the highest average cash value for a parking space. West Midlanders add an average of £8,533 to their home buying costs for the pleasure of parking on their own territory. That compares with a surprisingly modest average of £6,745 in Greater London, just £3,530 in Scotland and £3,018 (the lowest regional valuation) in Northern Ireland.

The London anomaly is partly explained by the fact that few central area homes have garages. Those that do tend to be sufficiently sizeable and expensive for the garage component to be a relatively minor part of the overall costs. Still, to put these things into perspective, at auction in mid-February a vacant possession garage (without a house) in Spears Mews SW5, off the Earls Court Road sold at a Conrad Ritblat auction for £42,000.

That's just a few pounds short of the average price of a house in Yorkshire. It would leave you change to buy half a dozen extra garages (as well as a house) in Northern Ireland.

J.B

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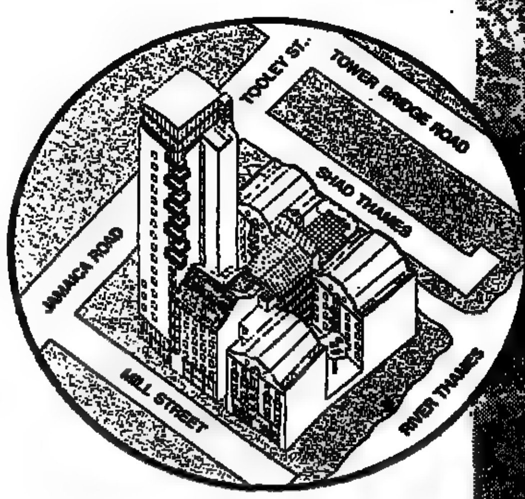

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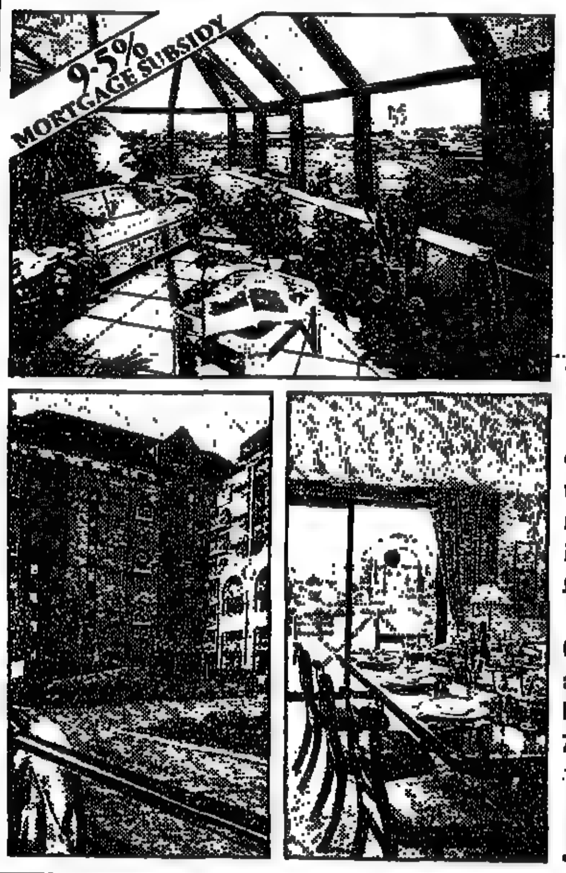

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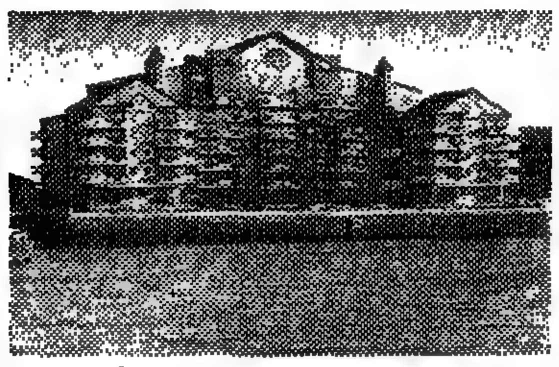

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PROPERTY

Elderly decline to move

***John Brennan** on the sharp fall in retirement sales*

Fullands Court, an English Courtyard development in Somerset

ON THE surface, retirement housing looks the safest bet in the entire spectrum of residential developments. For one thing, it is the area supplied least well, with purpose-built homes representing a tiny proportion of the UK's total housing stock. If you gathered every new sheltered home built in the past 10 years – fewer than 50,000 in all – into a single location, you would hardly have enough to re-house the populations of Newport, Grimsby or Norwich.

Yet, the average retirement home-buyer, trading down from an existing family property, can dip into free equity built over decades of accumulated house price inflation. Many will have paid off their mortgage – or be close to it – but even owners with an average-priced house and an average outstanding mortgage will have more than £40,000 of free housing equity, despite the property price reverses of the past 18 months. Thus, the buying power of older home-owners should ensure that retirement properties sell as fast as builders can finish them.

John McCarthy, pioneer of retirement home-building in the UK, cites the last annual report of his company, McCarthy & Stone. He sums-up the problem as a log-jam of sales because of higher interest rates on mortgages. As a result: "It has become increasingly difficult for the group's customers to trade down from their existing properties to release the capital required to buy their retirement apartments."

That comment is echoed by all the majors in the market. Individual schemes may buck the trend, with occasional tales of instant sell-outs. Like general house-builders, though, the specialists are having to sell hard these days. Updated lists of retirement homes for sale (available through Sheltered Housing Services, tel. 01-997-9313)) show that an increasing proportion of completed schemes where unsold properties remain are being promoted with the full panoply of marketing offers such as subsidies for mortgages and removals, equity share schemes and straightforward cash discounts.

Equity or not, older British home-owners are showing a deep reluctance to accept that their property is worth less now than it was a year ago. And while the frail elderly may reach a point at which they have to make a move, others are rarely in any rush to make what could be their last discretionary home purchase. Their reluctance will have been increased by the switch from domestic rates based on property value to the personal poll tax. When you are paying the same local government charge for a two-bedroom apartment as a six-bed family house, that element in the cost equation disappears.

The arrival of more sophisticated and lower priced home alarm systems connected to normal telephone lines has also diluted one of the retirement developers' big marketing advantages – that of having access to help in case of emergency. And there is also a general nervousness about moving to a community consisting entirely of older people. A recent Halifax Building Society survey of people either retired, or about to be, confirmed the extent to which they regard sheltered accommodation and retirement homes as property of the last resort. Most preferred to stay put, remaining close to neighbours and friends. A surprising number said they were considering adding to their existing accommodation because retirement gave them more time to entertain friends and family.

Buyers also have rejected the squashed little flats that used to characterise retirement homes when the term came into general use at the start of the 1980s. Gone are the days when a developer could win planning permission for an excessive number of homes to the acre from a council worried about provision for its elderly, and then expect to make sales without much concern for the subsequent management.

Noel Shuttleworth, who runs a leading retirement home group, the English Courtyard Association, says it is "always the smaller units that take the longest to sell." Never a volume developer, English Courtyard builds for a market that, as Shuttleworth says, "unashamedly focused on the old professional classes. These are the people we know, and so that is who we build for."

He discounts completely the idea of a move to a retirement home as "trading down" and stresses: "Buyers are trading across, not down." Having picked a site, he aims to build properties that compare in price with those for local four-bedroom properties. That has restricted the group to schemes in the south and south-west of England, although the evening-out of price differentials makes it possible to look further afield in future.

Shuttleworth's comparatively long waiting list of buyers reflects both the standard of English Courtyard's schemes, the amount of personal referral business and, of course, the company's relatively low volume of output. "We are not a public company so we are not under the same kind of pressure to keep increasing sales all the time," he says.

He takes the view that the properties will sell if he would be happy to live in them, so making them something that a potential customer's children would regard as a "good place for mother." Even here, though, he recognises the potential problem of ageing in a sheltered housing scheme.

"You do have younger people buying into new schemes and, 10 or 15 years later, the likelihood is that the re-sales will be to substantially older people, because the community as a whole is older," he says. Still, with an average of no more than 30 properties in an English Courtyard scheme, any individual group of sheltered homes will be a community within a wider community.

Shuttleworth is distinctly unhappy about the idea of major sheltered housing schemes with integrated nursing homes. "The absolutely last thing that people want is to think that they are moving somewhere where they are going to die. It's not about that at all, it's about greater freedom in retirement."

All art at Tabley House

TABLEY House, a Grade I mansion in Cheshire, opens this weekend as a retirement community where residents will have one of the finest private collections of British art and enjoy 3,650 acres of unspoiled countryside outside Knutsford.

The last private owner, Lt Col John Leicester-Warren, died in 1975 but the National Trust declined to take over the mansion – built in 1761-67 by John Carr of York – and the art collection gathered by Leicester-Warren's ancestor, Sir John Leicester. Eventually, the estate and collection were accepted by the University of Manchester, which agreed to settle the capital transfer tax liability.

In 1984, when the university terminated the lease of the boys' boarding school that had occupied most of the house since 1948, concern grew about the fate of the collection. Several companies were interested in Tabley House without the paintings, but it was not until 1988 that an ingenious solution emerged.

■ Cygnet Health Care paid £1m for a 125-year lease of the house and 25 acres of grounds, and has spent £2.75m restoring and converting the building to a 56-bedroom retirement home of country house hotel standard, with one wing adapted for continuous nursing care.

■ The collection – consisting of more than 120 works by such artists as Turner, Lely, Opie and James Ward, and an estimated 10,000 pieces of furniture and other items that are now being catalogued by consultant curator Peter Cannon-Brookes – has been made over to the Tabley House Collection Trust, which has been granted a lease of the picture gallery and adjacent museum at a peppercorn rent.

"We avoid calling Tabley a nursing home," says Cygnet's John Hughes. "We prefer to call it a retirement community, where people are residents rather than patients."

Hughes, a 43-year-old American, came to Britain in 1980 as chief executive officer in Europe of the Community Psychiatric Centres Group, which is listed on the New York Stock Exchange and runs 48 hospitals, six of them in the UK.

He left CPC in 1987 to found Cygnet, which runs a 42-bed nursing home at Caterham, Surrey; psychiatric clinics at Harrogate, North Yorkshire, and Sevenoaks, Kent; and operates the psychiatric units in the Nuffield Hospital at Newcastle upon Tyne and the Churchill Clinic at Lambeth, south London.

Cygnet, which is capitalised at about £5.6m, has 30 shareholders. About 60 per cent of the equity is owned by Midland Montagu, Foreign and Colonial Ventures, and 3i; 20 per cent by Hughes and his family; and 10 per cent by Design Management Group (DMG), a Harrogate-based company that undertakes the construction work for Cygnet at Tabley and elsewhere.

Apart from art, Sir John Leicester had a passion for horses. He raised the regiment that became the Cheshire Yeomanry and built magnificent stables for 70 animals directly opposite the main entrance to Tabley House.

DMG is now re-building these stables behind their preserved facades to create 34 mews houses and flats around a landscaped courtyard.

These mews units will be sold on 99-year leases at prices ranging from £79,500 for a one-bedroom flat to £149,500 for a three-bedroom house. A car parking space will be available for each resident close to the courtyard entrances while a monthly service charge will cover all building maintenance, insurance, cleaning of public areas, gardening, and 24-hour emergency nursing care through an alarm system linked to the main house.

Residents in Tabley House itself pay a weekly fee that varies from £295 to £675, according to the size of their room. This covers all meals and services but not specialist medical treatment.

A work of art: Tabley House, in Cheshire

■ *Enquiries about accommodation in Tabley House should be made to the executive director and matron, Margaret Horrigan (tel. 0565-50888). Agents for the mews properties are the Harrogate office of Cluttons (0423-523-423) and the Knutsford office of Meller Braggins (0565-2618).*

Michael Hanson

COUNTRY PROPERTY

PERSPECTIVES

Dresden, symbol of destruction, prepares to rise again

Andrew Fisher on the aspirations of a great European city

SOME CITIES have a magic that even the most tragic turns of fate cannot dispel. Dresden, once known as the Florence of the Elbe and a city which suffered the full force of Allied bombing near the end of the Second World War, is such a place.

Imagine Rome, Florence, or any other city of comparable beauty shattered by wartime bombs and still struggling to put back the pieces four decades later. Yet this is what has happened in the former capital of Saxony, one of the East German regional states abolished by the Communists and poised to spring back to life. In its heyday, Dresden inspired the greatest of German and European writers and artists. Schiller felt "lifted to heaven" when he saw the city. On the opening of an art gallery in the city, Goethe wrote that "my wonderment exceeded all expectations."

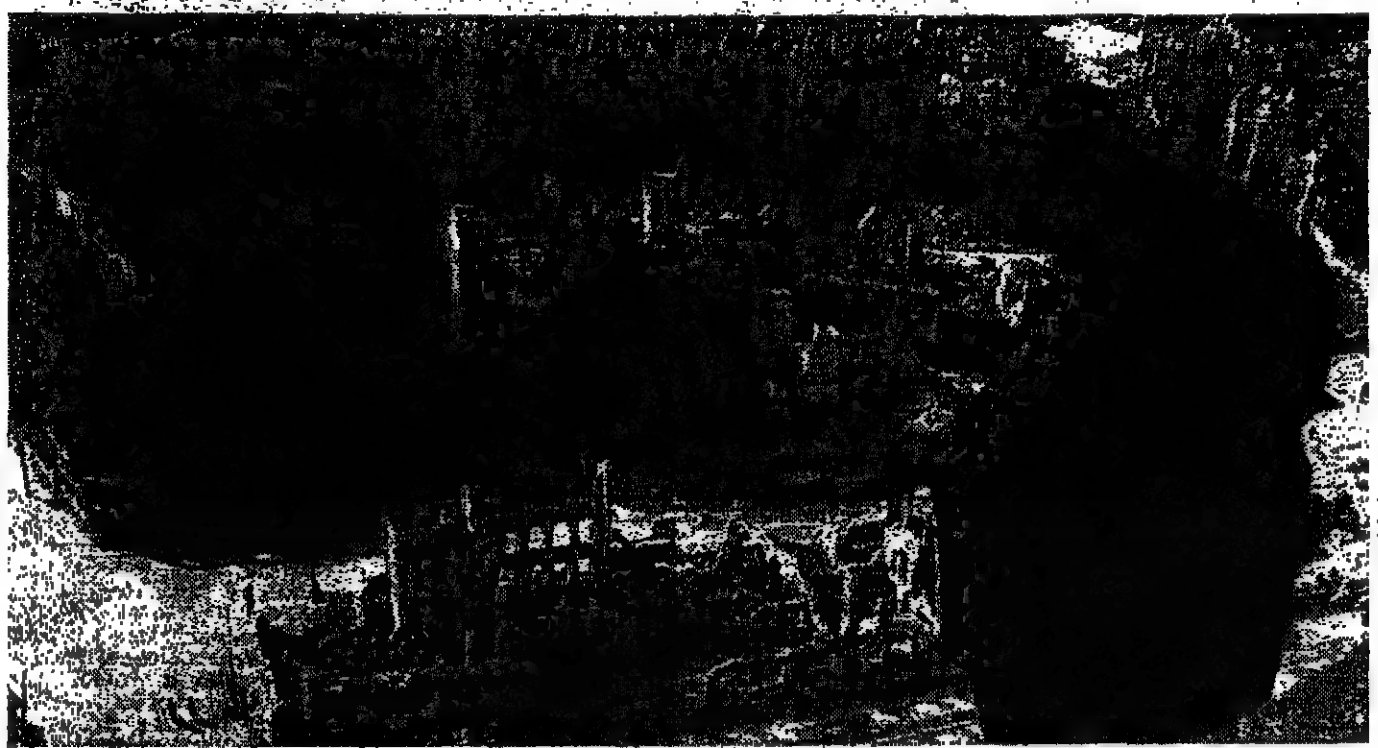
Today, the Dresden that these writers experienced, and which artists from Canaletto to Kokoschka painted, still lives, though with far less style and exhilaration. Yet with the falling of the East German border to the West, Dresden's people sense a new hope for their city as a cultural and business centre of Germany and central Europe, similar to the role of Munich in the West German state of Bavaria.

The exquisite Dresden skyline spanning the curve of the Elbe that Canaletto painted more than 200 years ago is still recognisable. But the vivid scars of war remain. The Frauenkirche, the stately baroque church which featured so prominently in Canaletto's pictures, is an ugly ruin, where bushes sprout and birds nest. Standing forlornly behind the ruins are two grimy yellow buildings which used to flank the entrance to the Cosel Palace, also destroyed. The bulk of the Schloss (royal residence) is an empty shell, as is the nearby baroque Taschenberg Palace.

When Gerhart Hauptmann, the Nobel Prize-winning author, saw the devastation wreaked by two British and one American bombing raid in one night, he was in his 80s and had just over a year to live. His response became part of the city's legend: "Those who have forgotten how to cry will learn again through the destruction of Dresden."

The influences of the city's culture had flowed across the world, he lamented. Hauptmann had witnessed the flames that engulfed the city through "the Sodom and Gomorrah hell" of enemy aircraft.

Hauptmann's faith in humanity might have been revived if he could see the city today. At certain angles and at certain times the spirit that Canaletto captured still shines through. The neo-classical Semper Opera has been painstakingly restored. So has the Zwinger, the elaborately baroque palace constructed in the reign of August the Strong, Saxony's ruler in the early 18th century. These costly and herculean efforts are now being applied to the Schloss, part of which has already been restored as a museum, with the rest due to be completed by 2006, when the city celebrates its 800th anniversary.



Dresden in 1945 . . . or what was left of it

Canaletto's Dresden

But beyond the city centre and its historic architecture, many war-damaged buildings were simply torn down and replaced by apartment and commercial blocks of a grim facelessness that defaces much of East Germany's urban landscape. The Prager Strasse, formerly Dresden's most elegant shopping street, is a cavernous, wind-swept pedestrian area with depressingly anonymous shopping precincts, hotels, and offices. Elsewhere, surviving enclaves of older houses have been simply left to deteriorate. "Outside the centre, we have concrete. Inside, we have decay," says Reinhard Delau, a Dresden author.

Like many people in Dresden, Delau favours a far-seeing initiative to rebuild the Frauenkirche (Church of our Lady). He points out that George Bähr, who designed the Protestant cathedral, was one of Europe's leading architects, ranking with England's Sir Christopher Wren in stature. "The Frauenkirche has as central a place in Dresden as does St Paul's in London," he says. The initiative was inspired by the border opening and the prospect of an East German future as part of a wider Europe.

With German unity under discussion and foreign investment ready to help in the work of economic reconstruction, the Frauenkirche initiative was formed to arouse international interest. The East German Protestant Church authorities, however, still have to be wholly convinced of the wisdom of rebuilding it.(The dome had soared gracefully over the city since 1743 - until it collapsed in the firestorm which raged through Dresden after the bombing onslaught.) Money is one consideration. Converting the ruin back to its former glory would cost far more than the Church, Dresden, or the East German state could raise. Moreover, the East German religious authorities tend to shy away from grand representative gestures and buildings as being out of keeping with their pastoral and charitable role in Germany and abroad.

But the force of opinion might be too strong to resist. West German Chancellor Helmut Kohl was so moved by the idea of the Frauenkirche's possible rebirth that he asked anyone thinking of giving him a birthday present to donate to the rebuilding initiative instead. Steffen Gebhardt, an architect who is one of the initiative's founder members, believes the Frauenkirche could become the symbol of a new understanding between East and West after the decades of Nazi terror and the Cold War. "This should not be in the sense of reparation but as the preaching of God's word in a sense of reconciliation."

For Dresden itself, the rebuilt church would denote "spiritual refreshment after 40 years of Communism." Interest, especially among former Dresden inhabitants, has been encouraging, he adds. "We need a gentle thrust from the rest of the world." Walter Köckeritz, another architect involved with the initiative, talks of a "loud echo" from the call for help. One old lady pensioner in East Germany gave 5,000 East German Marks in memory of her sister. Others have given similar amounts difficult, but at least DM400m will be required.

Technically, the constraints are likely to be the lack of building workers in the area – a consequence of the way in which small firms were stamped out in the 1970s and absorbed into big industrial combines and of the lack of funds coming from East Berlin – and the need to ensure that the dome is more secure than in the original construction. Although Bähr thought the heavy dome would rest on the strong outer walls, it actually weighed on the inner structure. As it turned out, this was quite safe, although reinforcement was later needed. Another consideration is the fact that the restoration of the Schloss is already taking up a good deal of scarce building capacity. But Köckeritz points out that by the time work on the Frauenkirche can start in the mid-1990s, the Schloss's outer structure will have been completed, leaving the extensive internal work to be completed for its eventual role as a museum. Although many of the Frauenkirche's original stones were arbitrarily taken for other local construction uses, such as a riverside street, documentation of the original is enough to enable its faithful rebuilding.

To draw attention to the horrors of war, a small part of the ruin would be left, says Köckeritz. The initiative's organisers do not forget that Germany began the fighting. But now that the post-war fetters in the East are being undone, they hope for help from abroad, including Second World War victors, notably the US and Britain.

Dresdeners show remarkably little resentment towards visitors from either country. When pressed, most will say that while those who start wars must not be surprised when they suffer, the bombing of Dresden is hard to understand. The city was virtually undefended and because it was of little military or industrial importance, its inhabitants felt immune from attack. Also, it was packed with refugees who had fled the remorseless Soviet advance from the East. The official death toll was 35,000, but other local estimates put it at more than 100,000.

Dresden's politicians and inhabitants look eagerly ahead to the days when it can flourish again as the leading city in a revived Saxony. No other East German city has such a strong sense of its own identity and history. West Germans are also fascinated by Dresden's potential. Having been under East Berlin's thumb for decades, Dresdeners are ready to carve out a new life in a united Germany. Thus the significance of the city's re-emerging buildings is not only historical and aesthetic, it is also psychological.

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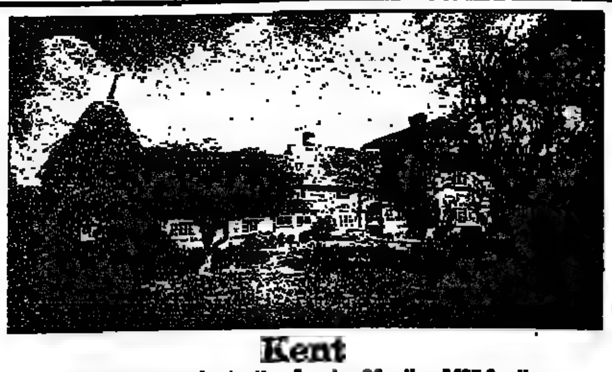

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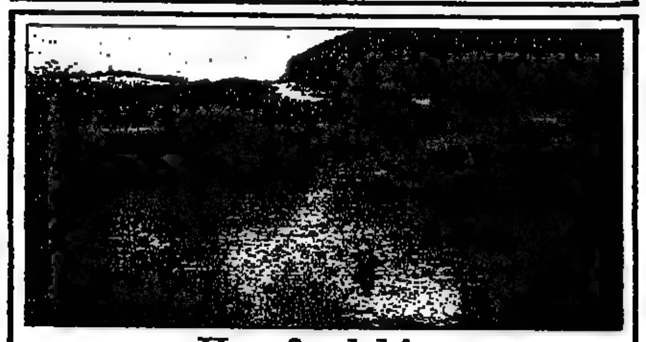

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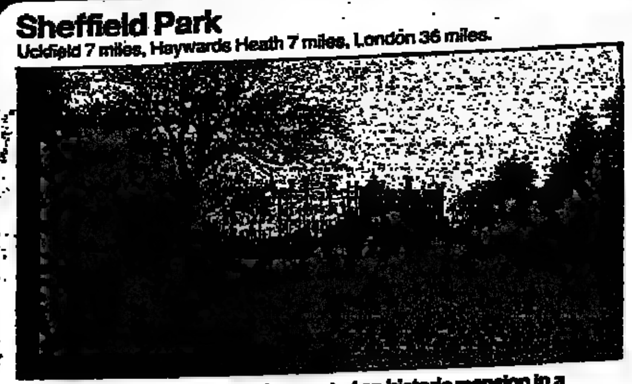

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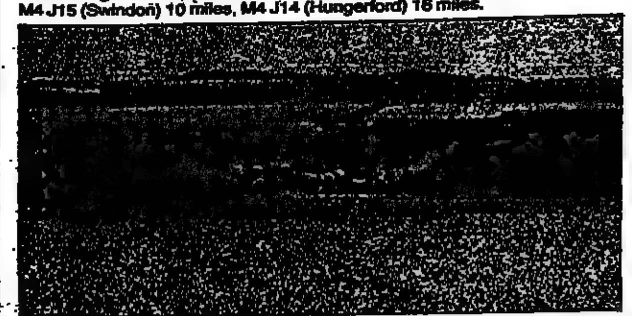

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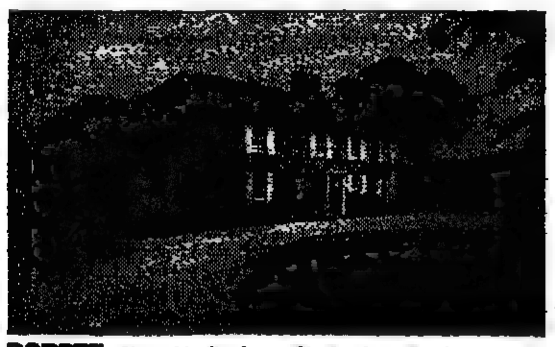

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Sitting comfortably: a new design revolution

*Today's craftsmen in modern furniture are becoming experts on the manufacturing side too, reports **Peta Levi***

IN SMALL workshops and large up and down the UK a new generation of furniture designers is turning out work of astonishing quality. It's always been difficult for gifted young British designers, even those with college degrees, to find regular paid employment with the large manufacturers, and over the years it doesn't seem to have got any easier. Ever more of them are doing what designers have so often had to do – setting up small businesses of their own. Sadly, so few people seem to know about this.

Peter Taylor outside his shop, Uneasy, in Tobacco Wharf

The movement back to designing and making furniture in small workshops seem to have begun in the 1970s, when a clutch of gifted designers left college and quickly saw that unless they set up their own workshops they would have no outlet for their designs. Today there are more than 250 small furniture workshops around the UK, making individual or small batches of (mostly wooden) furniture.

They produce a wide range. The best-known include Ashley Cartwright, who produces pieces with clean, simple lines using the natural grain of English timbers, for the National Trust or private clients; Richard La Trobe Bateman, designer of Mackintosh-influenced, sometimes chunky English oak furniture, including a baby's high chair presented to Prince Charles; Rupert Williamson, a contemporary Chippendale, who specialises in veneered and inlaid dining chairs with elegant slatted backs; David Field, who creates sculptural, sophisticated forms (he is one of the few to have designed furniture for entire houses); and Fred Baier, who makes colourful, idiosyncratic and original furniture which has clear links with the Italian Memphis movement.

However, the next generation, the college leavers of the 1980s, seems to have imbibed something of the more entrepreneurial air of the times. They are more innovative and more business-like, either cajoling manufacturers into production or sub-contracting the manufacture themselves. Flux, for example, whose metal-based furniture stole the show at the 1988 Milan Furniture Fair, was set up in 1985 by ex-RCA graduates Paul Chamberlain and Peter Christian, who do all the designing themselves but sub-contract the manufacturing.

The problem they all have, however, is getting the great British public to know about their wares. They nearly all lack marketing expertise, and all too often the British seem to have no gift for developing our native talent successfully.

However, times are changing. Several new outlets for contemporary furniture have recently opened.

There is, for example, Uneasy, a shop which specialises in selling nothing but chairs and which recently opened in Tobacco Wharf, the first really stylish shopping precinct to open in London's Docklands. Run by Peter Taylor, an ex-advertising man, its stock ranges from extravagant artistic statements to ornamental furniture, such as Ron Arad's red upholstered Big-Easy chair Volume II or Andre Dubreuil's wrought-iron chair, to practical mass-produced chairs like Martin Ryan's St Stephens upholstered dining chair, with slender, tapered metal legs and matching table.

One chair that has attracted particular attention (and would look good in a Docklands wharf home) is Ray McNeill's deep upholstered limed-oak armchair made from salvaged wood. Taylor strongly believes that "people will respond to more challenging furniture – the more ambitious the retailer, the more adventurous the buying public will become."

Another new outlet, in the Chenil Galleries (next to Chelsea Town Hall, Kings Road), is Peter Fiell's second showroom. Fiell, a Canadian, first won an international reputation for selling original classics from the '50s and '60s, but now his keen eye has homed in on some of today's new designers and he intends to manufacture three designs which he thinks are outstanding: Mark Robson's organic fibre-glass chair; Ron Nixon's rubber S chair; and Samuel Chan's wood and upholstered dining chair, inspired by Mackintosh.

Interior designer James Mair recently opened Viaduct, a 4,500 square feet store in Kentish Town, London, where he sells work by leading British designers D-Soto, John Werner, Nicolas Kary and Martin Ryan, as well as imported reproductions of some of this century's classics – pieces by Mackintosh, Mies van der Rohe, Corbusier and the like. Mair has quietly beavered away at the American and Japanese markets and now exports 35 per cent of his largely British-designed furniture.

Down the road, opposite the Round House, Chalk Farm, is Ron Arad's new workshop where one can see pieces being made. Arad is renovating a showroom there which will open shortly. An amazing piece (which has just sold for £13,000), doubles as a chaise longue and a sculpture, bright polished stainless steel contrasting with the subtle blacks and blues of the acid-etched mild steel seat.

On the borders of Hackney and Islington is Danny Lane's Metropolitan workshop, where one can see his avant garde sculptural but practical glass furniture. One of Lane's pieces, a dining table with forged steel base in the image of a horse, with a sand-blasted glass top, sold for £6,050 last January at the Christie's sale of British Decorative Arts 1880 to the present day. So much for the myth that modern pieces are a bad investment as they have no resale value.

Coming back to earth, to classic, under-stated English design at reasonable prices, is Ronald Carter's furniture, made from hardwoods in a Derbyshire workshop, with great attention to detail. The company, Miles/Carter, has grown with the help of marketing director Peter Miles. All five pieces in its range can be seen in their showroom in a converted forge in the market town of Winksworth, near Derby. At weekends the showroom is open by appointment.

Peter Leonard, 36, of Peter Leonard Associates, an interior designer who recently designed Virgin's megastore in Paris, became a furniture designer in 1986 because "I was so frustrated at being unable to find good quality, simple English design and so tired of the endless second-rate copies of Italian furniture." His best-known design is probably his simple Gothic-style chair, which sells for £75 at Soho in Chelsea's Kings Road, his retail outlet which enables the furniture to reach the consumer at a competitive price.

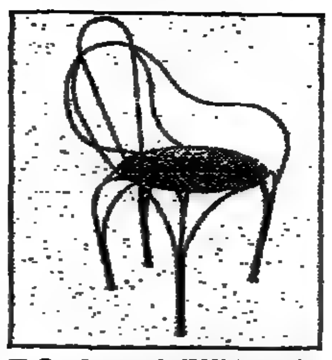
Another cheering sign of change is that a few enlightened retailers such as The Conran Shop are starting to commission work. Craig Allen, its furniture buyer, recently commissioned Sarah-Jane Wakely and Martin Ryan to design contemporary sofas, both with clean, stylish lines, yet comfortable and practical.

Jane Taylor, the modern-furniture buyer at Liberty, always stocks work by British designers. These currently include Jasper Morrison's upholstered couch, Mathew Hilton's shelving system and "flipper" table, Jonathan Anderson's oak veneered display unit and a chrome and black leather bar-stool and chair by Rodney Kinsman, as well as a number of mirrors by British designers.

Lastly, a small showroom well worth visiting is Gerald Moran's interior design shop in Heath Street, Hampstead, London. Here you will find a few choice pieces of well-designed furniture from around the world. There is always some British designed work and all the pieces are well-displayed against striking contemporary rugs, furnishing fabrics, lighting and accessories as well as the occasional antique, proving that the best of both can create a successful marriage.

■ On May 4 an exhibition called British Brilliance opens at 54 - 56 Hoxton Square, London N1, which features work by a whole range of contemporary designers. Sub-titled "Art for The City," the organisers clearly are hoping that new and perhaps more enterprising sources of patronage may emerge from introducing the work of these artists to the chaps in the City who have the funds.

There will be a whole range of work, from furniture by Nicholas Dyson, Tony Issevegh and Adrian Reynolds to textiles by Penny Wools, Joanna Buxton and Annie Sherburne, glass by Ruth Dresman and ceramics by Hilary La Force, Oriel Harwood and Rob Turner.



■ Garden chair (£98) from the Queen Bess range by Martin Ryan, from Viaduct in Spring Place, London

■ Sofa (£1,075 excluding material) designed by Martin Ryan for The Conran Shop

■ Main picture, left, modern steel chair (£72.80) designed by Alan Zoeftig. Below, chest by Nicholas Kary (£1,385 plus VAT) available from Peter Fiell in the King's Road, London

■ Below: idiosyncratic desk designed by Fred Baier. £6,500

The best ideas in store

SHOPS where work by British furniture designers can be bought:

Uneasy, 12 Porters Walk, Tobacco Dock, London E1 9SF; 01-488-4563; Peter Fiell, 57a New Kings Road, London SW6 01-731-0546 and Chenil Galleries, 181 Kings Road, London, SW3 01-351 7172.

Viaduct Spring House, 10 Spring Place, London NW5 3BH 01-284-0158; SCP, 135-139 Curtain Road, London EC2A 3BX 01-739-1869; One-Off, Ron Arad, 62 Chalk Farm Road (through archway) London NW1 8AN 01-379-7796.

Danny Lane, 55-60 Metropolitan Workshop, Enfield Road, London N1 5AZ 01-254-9096; Soho Design, 263 Kings Road, London SW3 5EL 01-376-5855; The Conran Shop, Michelin House, 81 Fulham Road, London SW3 6RD 01-589-7401.

Liberty, 210-220 Regent Street, London W1R 6AH 01-734-1234; Gerald Moran Interiors, Goulding House, 85 Heath Street, London NW3 6UG 01-435-4096; Maison, 917-919 Fulham Road, London SW6 5HU 01-736-3121.

The New Designers Gallery, Suit 306, Business Design Centre, Islington Green, N1 0QH; Artizana Furniture, The Stables, Prestbury, Cheshire SK10 4DG, 0625-827582.

Conroy-Foley Gallery, 6 Merchants Court, St. George's Street, Norwich ND3 1AB 0603-630338; The Scottish Crafts Centre, 140 Canon Gate Edinburgh EH8 9DD 031-556-8136; In House, Glasgow and Edinburgh; Lighthouse, Newcastle; Haus, Nottingham.

■ Sofa designed by Ron Arad. All yours for £9,600 plus VAT

The Art Studio Venture: a club for painters

Art for art's sake

IT SEEMS such a splendid idea one wonders why nobody has thought of it before – an Art Studio Venture, that is. As Linda Bennion, its founder and owner, puts it: "There are golf clubs and tennis clubs, studios for yoga and ballet, exercises and weight-training, but nobody seems to have provided a club where people could go to paint and draw whenever it suited them."

The Art Studio Venture aims to offer just that. In three large, bright studios, the would-be artist can paint from 9.30 in the morning until 10.30 at night. The club hopes that it will encourage those who have always longed to paint but never picked up a brush just as much as those who already have some experience but need somewhere sympathetic in which to paint away.

Staff tutors will be on hand to encourage and teach the timid, the inexperienced and the eager. Still life, landscapes, abstract painting, drawing and many other techniques can be learnt. Materials are free to new members for the first six sessions and after that they can be bought at good prices on the premises. Work in progress can be safely stored. There will be talks and outings and all the sort of clubby activities that those interested in art might like.

■ *Art Studio Venture is at 6 Lansdowne Mews, Holland Park, London W11 (tel 01-792-3666). Membership is £230 a year and after that it costs £11.50 for each three-hour session and £28.75 for the all-day sessions on Sundays.*

How to squander it

***Simon Hinde** on frittering away your money*

EXTRAVAGANCE is easy, but true profligacy has to be worked at. You may not be able to reach the heights attained by Imelda Marcos, but by following a few simple rules you should be able to add hundreds of pounds to your annual shopping bills. And after more than 30 years of advising consumers how to shop wisely, few organisations are better placed than *Which?* magazine to offer tips on how to spend it *un*-wisely.

Our first advice would be to get a store charge card – preferably several. Even at a time of high interest rates many of these stand out as expensive. Some charge well over 30 per cent interest, compared with around 21 per cent on a bank personal loan or 19.5 per cent on the Town and Country Visa card (currently the lowest-cost of all Access or Visa-type cards).

Of course, the foolish shopper in search of, say, a television and video recorder can do considerably worse than even a store card. Renting is nearly always far more expensive than buying.

Suppose, for example, you bought a £350 video recorder using an expensive shop card and also took out an extended guarantee for about £105 (more than twice what repairs would

cost on average) to cover it for four years. And suppose that after four years, even though the machine was running perfectly, you threw it in the bin.

That might sound like a gallant attempt to waste money. But compared with renting, it would look almost like thrift. The monthly rental payments can almost always be relied on over time to outstrip any buying method you may choose. And think of all the things that you could rent: television, video recorder, washing machine, telephone, satellite dish . . .

However, motoring must offer the greatest opportunities to the spendthrift. With care, the cost of buying and running a car can be kept satisfyingly high.

The first rule for the profligate motorist must be: *buy in Britain.* British motorists pay higher prices for new cars than almost anyone else in the EC. If you make the mistake of buying a new car in Belgium and bringing it over to Britain (easier than you may think) you can easily find yourself under-cutting British prices by a worrying 20 or 30 per cent.

And remember, *the temptation to haggle should always be resisted.* It's all too easy to ask a dealer for a discount and find yourself saving several hundred pounds – it could take days, even weeks, of assiduous profligacy to put yourself safely back into the red.

What sort of car should the spendthrift buy? It's always worth looking out for the little extras that can add hundreds to the price and have little value when you come to sell. Go-faster stripes (as much as £100), tinted glass (£65 upwards) and a sun-roof (up to £800) are a popular and costly *combination.* Your car dealer should be happy to help.

But the most important consideration has to be running costs. A city motorist with a car in insurance group 8 should have to stump up a good £2,000 a year for insurance. When you include the cost of petrol, servicing, routine maintenance and road tax, a motorist who does 12,000 miles a year should easily be able to find a car that costs more than £50 a week to run.

The truly profligate motorist should be able to improve on that by making unnecessary journeys and by looking out for particularly expensive petrol stations: a recent *Which?* survey found differences of as much as 20p a gallon in some areas. And, of course, under no circumstances should you convert your car to unleaded petrol – this foolish step will save at least 13 pence a gallon.

Look out, too, for cars with expensive parts – even a small knock could work out gratifyingly expensive. The body parts for a Saab 9000i 16 work out about twice the price of, say, a Ford Granada, even though the cars cost about the same new.

So the message is clear: there's never been a better time to spend unwisely. With a little thought and practice, any of us can achieve profligacy.

■ *Simon Hinde is assistant editor of Which? magazine.*

FOOD & WINE

Reds to fire the imagination

***Edmund Penning-Rowsell** discusses the earliest claret vintage since 1893*

Hoeing the stony soil in the vineyard of Château Lafite-Lalande near St Estephe

EXCELLENT growing conditions from May onwards last year resulted in the earliest vintage for clarets since 1893. As a result there was more publicity for this vintage before the grapes were in the vats than for any since 1983, which was the last vintage for which speculative investment went wild, particularly for the big "names," the opening prices of which, in the late spring of 1983, had about doubled by early autumn. What will be the response to the '89s with the dollar and the pound at much lower levels against the franc but with much more domestic and foreign competition than seven years ago?

The first consideration is the quality of the wines. For the most part they are very deep in colour, very fruity, rich, concentrated and high in alcohol. Compared with the normal 12 to 12.5 degrees, some are as high as 13 or even more; particularly when there is a good deal of Merlot in the blend. They also tend to be low in acidity, a preservative element in wine. A good deal depends on when the grapes were picked in this exceptionally early harvest. Those who picked Merlots early made the most successful wine, later on they became over-ripe and produced port-type clarets. Promising wines also went to those who waited until the later-maturing Cabernets were really ripe. In both cases it was only a matter of days either way, but in such a vintage those days are critical.

These days almost everyone uses at least some new oak casks, which give a seductive vanilla/cloves aroma and taste. *However, combined* with the strong, though relatively soft, tannins they made tasting difficult. This was particularly true for those of us who taste such an array of six-month-old clarets every year; and each vintage is different. Furthermore, it was agreed in Bordeaux that the '89s are much harder to assess than the '82s which possessed an immediate charm. Professor Emile Peynaud, the doyen of château consultants, who described the '82s as having more sugar in the grapes than any year since 1947, said the '89s are like the '82s but bigger. Nevertheless, the wines are less consistent than the "tighter," perhaps more long-lived '88s.

Although the red wine vintage was a clear record overall – 4.87m hl of *appellation contrôlée* wine compared with the 1986 record of 4.5m hl – many of the most important châteaux made less than in 1988, when the overall the total was 3.7m hl. This was the result of summer pruning or strict selection of the vats for the *grand vin* to bear the château label. At Ch Margaux 50 per cent of the Merlot was downgraded (the equivalent of 200 casks), and at Pétrus, which is 95 per cent Merlot, July pruning cut off half the grapes resulting in juicier grapes. Compared with an overall average yield of 59 hl per hectare Pétrus made 35 hl in the Gironde. It will produce no more wine than in 1988: 4,000 cases. Haut-Brion made 120 *tonneaux*, as against 150 *tonneaux* the previous year. This was a year when some châteaux did not chaptalise (add sugar to the must in the vats).

Most proprietors told me that they preferred the '89s to the '88s, owing to the '89s' increased richness, concentration and fruit, but there was general agreement that '88 was a more regular, more "classic" vintage. This was demonstrated in the well-organised tastings arranged by the Union des Grands Crus in the first week of this month. About 125 1989 growths were shown in the mornings from Bas-Médoc to Sauternes. After lunch, by no means teetotal, those wine writers who could take it were ferried elsewhere to sample the 1988s. At the châteaux alongside the '89s they were difficult to sample; rather closed-up as a result of being fined before bottling.Fortunately, there was a similar tasting in London the following week of the 18-month-old clarets, which I found much easier to taste.

Although they are not within the budgets of most claret drinkers, the first-growths are always fascinating to taste, and I was able to visit all with the exception of Ausone, which is said to be excellent.

Of those on the left bank, in the Médoc and Graves, I would vote Ch Margaux and Mouton-Rothschild top. They are wonderfully rich, opulent wines with huge colour and enveloping aroma. Margaux was fruity but with an underlying elegance. Mouton-Rothschild had a cassis bouquet and a long, almost creamy flavour. Latour has been particularly successful, with great colour, not too much oak on the nose and a softer, more developed flavour than usually associated with young Latour. Unfortunately, at Lafite the cask sample had been drawn a week earlier and was obviously tired. But the wine has an excellent reputation.

I find very young red Graves harder to taste than Médocs, as they tend to be drier, but Haut-Brion, half of whose grapes were pruned in July, was elegant, rich, big-bodied and clovey, while its stable companion, La Mission-Haut-Brion had an exceptionally deep colour and was even bigger, though more austere – no doubt a very good year for red Graves, as well as for the finer, richer dry whites.

On the other side of the two rivers, Pétrus had all that was expected of it, though it was softer than some years and did not show appreciably better than the delicious '88. Cheval-Blanc, a big-coloured wine with plenty of body and flesh, was very closed on the nose, which is not a criticism at this time of the year when the wines develop very irregularly. I found the same with its neighbour, Figeac.

It is impossible to comment on even a fraction of the more than 200 '89 clarets I tasted, or even to provide a meaningful list of recommendations. Nevertheless, in a very fine year like this, it is highly probable that those châteaux, with a reputation for good wines, will have taken full advantage of the potential of the vintage. In any case, claret drinkers wishing to buy *en primeur* will not have to gamble by buying direct from the property, but will have a selection filtered by the experienced buyers of those traditional wine merchants accustomed to putting opening offers together.

Among the whites, there are splendidly rich Graves, and Sauternes have done it again, with wines that are well structured as well as luscious.

Many châteaux, including all the first growths, have yet to disclose their opening prices, the *prix de sortie*. At the lower quality levels, where yields were higher than in 1988, rises may be limited to five per cent. Prices for some of the higher level growths will rise markedly. However, it should be remembered that in many cases the '88s were no more expensive than the '85s and often cheaper following lowered opening prices for the '86s and '87s. Nor can the Bordelais be blamed for our inflation and fallen pound. An unchanged ex-cellars price will result in a rise of around 18 per cent on last year in the UK price. It could be more if sterling falls further by September when most Bordeaux merchants' accounts will have to be met. British importers, who have to buy quickly after the *prix de sortie* are released, have a particularly difficult task this year in assessing likely demand.

But there is no doubt that the vintage has gripped the imagination of the fine claret drinkers. This will most affect the small group of first and second-ranking wines whose prices are not only likely to jump by an average of 15 per cent, but will be increased by 20-25 per cent by those Bordeaux merchants able to secure allocations. A popular estimate is that the first growths will come out at Ffr220 to Ffr225 a bottle, compared with Ffr180 for the '88s. A Texas merchant told me in Bordeaux that he would buy 400 cases of Mouton-Rothschild if he could get them: highly unlikely, as the 24,000-case total is 20 per cent less than last year. The lower dollar seems unlikely to be an obstacle to large American purchases; and in the home market, West Germany and Switzerland there are no currency problems.

What then do dedicated claret drinkers here do? First, the best value *qualité/prix* are likely to be found on the relatively lower levels: from *petits châteaux* to *crus bourgeois*; and they will provide earlier drinking than the higher ranks. Remember, in the very fine vintages the top wines – perhaps 50 to 75 of them – will take 15 years or more to reach their peak.

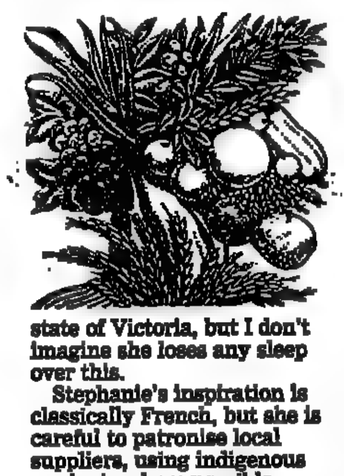
On present indications 1989 is unlikely to be a claret vintage on which investors can make a worthwhile profit in a few years, in the way fairly prompt sellers of the '82s did. Yet it is an exceptional vintage and should be represented in every serious claret amateur's cellar. But the recent tastings of the '88s have demonstrated their quality and they can still be bought in the UK at reasonable prices.

This is not, I believe, "the vintage of the century." After all, there are 11 more to come; and, for good measure, the bud-break in the Gironde this year is a good two weeks ahead of last year, and the vintage could be even earlier.

■ This week Haut-Brion has been the first premier cru to announce the opening price of its 1989 vintage; FFr225 a bottle, compared with FFr180 for the 1988.

Food for Thought

Croc burgers and 'roo steaks



IT WAS 9am in a perfectly ordinary Adelaide suburb and some quite extraordinary things were emerging from Andrew Fielke's deep-freeze. Here were little packets of wild limes, clove lillipillis, illawarra plums, lemon aspens, wild peaches called quandongs and wild rosellas (parakeet) and kakadu (parrot). In the centre of the table stood a pot of bush bee honey which Fielke was watching closely – at $A6 for a minute jar it was not hard to see why. We nibbled away, admiring the textures and flavours of the lillipillis and aspens only frustrated that time was too short to allow us to sample the real pride of his collection: a brace of raw emu shins.

Fielke is fond of emu. He had eaten it for dinner only the night before and told us that the flavour was like a cross between beef and duck. He made a name for himself inventing recipes for the bird's huge green eggs scrambling them with yabbies (freshwater crayfish) or Morton Bay bugs (small lobster-like crustaceans from Queensland).

Fielke is one of a new generation of Australian chefs who try, whenever possible, to use native ingredients in the hope of creating a distinctive Australian cuisine. To some extent their ideas are channelled into "Bush tucker," wild berries, fruits and witchetty grubs which grow wild in the vast Australian Bush. Some, such as Fielke, are looking at Australia's distinctive fauna too. So far there has been no mention of koala, but emu, black swan, guana and Cape Barren geese might all be for the chop (so to speak). Crocodile (crocburgers are something of a speciality in Darwin) and kangaroo have already become accepted eating in some parts.

Kangaroo can be bought from the better butchers and restaurants of south Australia where the government appreciates the need to control the animal's numbers. New South Wales, aware of the extensive crop damage caused by 'roos, has also legalised consumption. So far, however, state abattoirs have refused to co-operate.

Kangaroo is remarkably lean meat with no fatty seams to help it down. In the pretty Padthaway Lodge hotel I ate a huge slab of marinated fillet and suffered as a result. At the pioneering Adelaide restaurant, Nediz Tu, the fillet was sliced thin and presented on a bed of black bean sauce, a more digestable solution.

Stephanie Alexander, probably the only Australian chef known internationally, said kangaroo reminded her of horse meat and suggested it be sliced thin and grilled with lemon. Her Melbourne restaurant, Stephanie's, cannot serve 'roo because it is in the state of Victoria, but I don't imagine she loses any sleep over this.

Stephanie's inspiration is classically French, but she is careful to patronise local suppliers, using indigenous products where possible. Virtually anything you could wish for may be obtained in Melbourne's vast central markets, from Australian bratwurst to Australian extra virgin olive oil. Visiting the market I was fascinated by the crustaceans: not just yabbies and Moreton Bay bugs, but huge "crays" (spiny lobsters) and blue swimmer crabs. In Western Australia there is a native lobster called a marron and the Murray River still yields the occasional fresh water lobster.

The Murray is also the source for the river fish you will eat in the north of Victoria or the south of New South Wales.

One Australian native proved a real treat: mud crab. Presented to me in the Rockpool restaurant in Sydney, the body of the crab was the size of a large plate, almost big enough to allow you to get in and paddle around.

One of the most exciting discoveries to be made in restaurants such as Mietta's or Stephanie's in Melbourne is that there are signs that Australian cheesemaking is about to take off. Sadly, raw milk cannot be used anywhere besides Tasmania, and then, the product may not be transported to the mainland. King Island in the Bass Strait produces one of Australia's best cheddars, although the island's Brie is rather dull and bland. In Victoria Gippsland Blue is a good tangy, Gorgonzola-style cheese which was partly the brainchild of Richard Thomas. Thomas has now moved to Milawa, also in Victoria, where he continues to make fine goat, washed rind and blue cheeses.

For my money, his best cheese is the white, a cheese shaped like a souffle created by an accidental invasion of the dairy by some peripatetic vineyard yeasts. It is one of the most gorgeous, buttery textured cheeses I have eaten.Who knows, maybe someone will ship some over to Britain? Oh, and while you're about it, those emu shins . . .

Giles MacDonogh

Cookery

A certain oily charm

I AM A fatty. I am not overweight, but I *am* hooked on good butter and olive oil. A variety of good butters is not easy to buy, more's the pity, but the choice of quality olive oils in British shops is, happily, increasing.

During a trip to Spain I was introduced to one of the most delicious olive oils I have tasted, a lusciously green unfiltered oil made by Nunez de Prado of Baena from olives that had been crushed but not pressed. This spring the company has started shipping it to Britain and it is on sale at Mr Christian's in Elgin Crescent and at Villandry in Marylebone High Street, both in London. For details contact the importer, Monika Lavery of Brindisa (tel: 0(7)1-347-9503), specialist in Spanish delicacies.

The latest olive oil to arrive in the UK is Granverde Colonna, from Tuscany, the first public tasting of which takes place today. So, if you want to be absolutely up to the minute in matters oleaginous head for The Conran Shop (81 Fulham Road London SW3) to try it any time between 11.30 am and 4 pm. Other estate bottled oils will be available for taste.

Granverde Colonna is a delightful lemony conceit conceived by Principe Francesco Colonna who, at the last pressing of the olives on his estate each year, used to throw in a sack of lemons to be pressed along with the olives, to make a zestily fragrant condiment for his own table. Now this oil is being produced in commercial quantities. Initially it will be exclusive to The Conran Shop but later it will be available by mail order and from selected stockists outside London. For further details contact the importer, The Oil Merchant (tel: 0(7)1-602-7040).

I have already made greedy inroads into the sample bottle that I have acquired. I have used it for pinzimonio and bruschetta, and for painting little sardines to be wrapped in vine leaves and grilled.

If you acquire a bottle you may like to try my chicken and spinach recipe. You could feast in style on the second recipe, a delectable veal, asparagus and parmesan salad created by Simon Hopkinson, co-owner and chef of Bibendum Restaurant (Michelin House, Fulham Road London SW3).

Brochettes of chicken and mushrooms on spinach
(serves 2)

10 to 12 oz skinned and boned chicken breasts; 8 to 10 cap mushrooms; 1 lb fresh spinach; 1 to 1½ oz pine nuts, toasted until golden; bay leaves, coriander seed; Granverde Colonna olive oil.

Cut the chicken into chunky pieces weighing about 1 oz each. Put them into a gratin dish or other dish which is suitable for going under the grill and bringing to table, and which is large enough to hold the cooked spinach too.

Grind black pepper and coriander seed over the chicken, drizzle on three tablespoons of oil, and toss. Add the mushrooms and eight bay leaves and toss again. Cover and leave to soak up the flavours in a cool place for an hour or two, if time permits.

Thread the ingredients on to skewers and lay them on a rack – a small cake cooling rack or the rack from your grill pan. Set the rack over the gratin dish and grill at a little distance from the flame, turning the skewers as necessary and brushing the ingredients with a little more oil, until the chicken is succulently cooked, the mushrooms are tender and juicy and the bay leaves are fragrantly charred.

While the brochettes cook, steam the spinach and press it to drain off surplus liquid. Season and turn it in the delicious chicken-mushroom-and-oily juices that have dripped from the skewers during grilling. Mix in the toasted pine nuts, lay the brochettes on top, sprinkle with salt and serve straight away with warm crusty bread.

Cold veal with asparagus, parmesan & granverde
(serves 4)

A small piece of roasting veal, weighing about 1 lb; 2 pt light stock and a glass of white wine; 1 leek, 2 carrots and 2 sticks of celery, all chopped; a bay leaf, a sprig of thyme and 2 cloves of garlic (crushed but not peeled); 1 lb asparagus; ¼ lb Parmesan cheese; 2 fl oz Granverde Colonna; Maldon salt; snipped chives and wedges of lemon to garnish.

Cook together the stock, wine, chopped vegetables and herbs for about 40 minutes. Strain. Pour over the veal in a clean pan and poach the meat very gently for about 20 minutes until medium-rare. It will feel very soft and slightly "bouncy." Lift the meat out of the stock and wrap loosely in foil.

When the stock is lukewarm, put the veal (minus the foil) back into the stock and leave to cool completely. This can all be done the day before; in fact this is preferable as the meat will take on more flavour due to the immersion in the tasty liquor overnight.

Take plenty of well-salted water and bring to the boil. Meanwhile, trim and peel the asparagus. When the water is at a rolling boil, plunge in the asparagus and cook for about 5 minutes or until just cooked. Remove, cool under running cold water and drain.

Take four large plates. Slice the veal as thinly as possible and arrange it attractively on the plates. Slice the asparagus coarsely on the diagonal and distribute over the veal. With a potato peeler, shave the Parmesan in thin "curls" generously over the meat, drizzle with the oil, sprinkle with a little Maldon salt, the snipped chives and a grind of pepper, and serve with the lemon wedges.

Philippa Davenport

BRIDGE

GREED REARS its ugly head in both hands today. I hope the fate of the declarers will teach you a salutary lesson. Let us start with rubber bridge:

N
♠ Q J 5
♥ 7 5 2
♦ Q J 10 9 3
♣ 6 4

W
♠ 8 4
♥ K 8 4 3
♦ K 6 5
♣ J 9 5 3

E
♠ K 10 9 7 3
♥ Q 9 6
♦ 7 2
♣ Q 10 2

S
♠ A 6 2
♥ A J 10
♦ A 8 4
♣ A K 8 7

South dealt at game to North-South and started with two no-trumps. North's three no-trumps ended the auction.

West led the eight of spades. Seeing the nice free finesse, South played dummy's queen. East wisely withheld his king but dropped an encouraging seven.

Declarer ran dummy's diamond queen, followed with the three to his ace, and led the eight. West took and led the spade four, which was covered by knave, king and ace, and the contract failed by two tricks.

The damage was done at trick one. South should play dummy's five of spades and take with his ace. Now he cashes his ace of diamonds and proceeds to dislodge the king. West switches to the heart three, which runs to queen and ace, but South is in full control. He plays a spade to the queen and king. West can make his king of hearts, but nothing can prevent the declarer from entering dummy (via the spade knave) and making 10 tricks.

We turn to teams-of-four:

N
♠ 10 8 4 3
♥ 7 5 2
♦ Q J 8 5
♣ A 8

W
♠ K Q 9 5
♥ J 10 9 4 3
♦ 7 2
♣ 6 3

E
♠ 7 6
♥ 8 6
♦ 10 9 6 4 3
♣ J 10 7 4

S
♠ A J 2
♥ A K Q
♦ A K
♣ K Q 9 5 2

With both sides vulnerable South dealt and bid a conventional two clubs. North replied with two diamonds, South jumped to three no-trumps on his 26 points and North's six no-trumps ended the auction.

West led the heart knave. Winning with his queen, declarer cashed ace and king of diamonds, crossed to the ace of clubs and cashed the two diamond honours, on which he discarded two spades from hand.

He led a club to his queen but, when he cashed the king, West showed out and the declarer had to lose a trick in each of the minor suits for one down.

Unlucky, we admit, but why be so greedy? After cashing his two diamond honours, declarer should lead a club and play the eight. East wins and returns a spade but South wins, crosses to the club ace (both opponents following), cashes queen and knave of diamonds, crosses to his heart ace and claims the little slam.

That East should have five diamonds as well as a guard in clubs is unlikely, but why take a chance? The concession of a club trick is a cheap insurance premium.

E. P. C. Cotter

Appetisers

MY ARTICLE on Boulogne restaurants some weeks ago obviously brought back happy memories for some readers from whom I have received further recommendations, writes Nicholas Lander.

While Chez Zizine has had to close to make way for a new car park, and has not yet found a new home, try L'Huîtrière, 11, Place de Lorraine in Boulogne (tel 21.31.35.27). Their chef, M. Legrand, is talented but also sympathetic, producing a fish dish in the shape of a face for one reader's young children. Thirty minutes outside Boulogne at Montreuil is the Auberge La Grenouillère (tel 21.06.07.22), a restaurant with rooms, where a reader ate a dish of frogs legs with wild mushrooms which she described as the best dish she had ever eaten in France.

* * *

For anyone planning a trip to France the new 1990 Michelin guide (£10.50) and Michelin Motoring Atlas (£9.99) provide a lot of up-to-date information. Anyone interested in the lost culinary delights of France will find A.J. Liebling's *Between Meals; An Appetite for Paris* (Cardinal Books £4.50) fascinating. When not writing for *The New Yorker* Liebling seems to have been eating and drinking – and only the very best. French cuisine, he feels, was at its best before 1914 and its decline is due to the end of child labour, which had meant that chefs started at a very early age, to the fashion in both men and women to look slim rather than plump, and to the automobile – the best hotels had always been close to the railway stations, now sadly neglected.

* * *

The National Grid Company, responsible for the distribution of electricity in England and Wales, has introduced a Good Food, Good Health policy to look after its 6,300 staff.

Over the past six months a medical adviser, a food policy consultant and the Riverside Health Authority have been working with the National Grid's catering manager to produce menus that offer a wider choice and a great deal of nutritional information. It is is still possible to have roast beef, Yorkshire pudding and chips for lunch but now the staff know that this dish contains *four times* more *fat* than a fillet of cod with tomatoes and new potatoes. The healthier dishes are designated by a higher number of stars on the menu and embarrassment at being caught with a plate of fatty food seems to be contributing to the scheme's success.

The new, healthier dishes have proved particularly popular. Staff now ask for the recipes to take home to their families and executives' wives have already asked to eat in the staff canteen. The happiest man is *undoubtedly* Frank Holland, the catering manager. The new menus have added *another dimension to* his job, costs have not risen since the introduction of the new menus, largely due to a reduction in the meat bill, and for once he receives compliments from his customers, not criticism.

* * *

The first sign obvious to consumers that Britain's most fought-over wine, New Zealand's Cloudy Bay, and its Western Australian parent company Cape Mentelle are now part of Veuve Clicquot champagne (and therefore of Louis Vuitton-Moet Hennessy) is likely to be the naming of one of Cape Mentelle's exceptionally serious reds. The next release of their wine, made from the Syrah vine of the Rhone, will no longer be borrowing its name from one of France's great reds, in this case Hermitage.

This practice, still common in Australia, is abhorred by the French. Adnams of Southwold (0502-724222) list all three extremely worthwhile Cape Mentelle reds, including one of the world's better-made Zinfandels, at around £8 a bottle.

Veuve Clicquot will help double antipodean production. Chairman Joseph Henriot, expected to announce further acquisitions outside France, cunningly acquired vineyard land in Cloudy Bay territory before knocking on the company's door.

TRAVEL — EUROPEAN BREAKS

Pilgrimage to the mecca of music

Christian Tyler enjoys Salzburg — even without Julie Andrews

SALZBURG SUFFERS the same handicap as Mecca during the *haj*: too many pilgrims crowding into a small, antique provincial city. But just as the *haj* is virtually obligatory for any true believer, at least once in his lifetime, so a pilgrimage to Salzburg is mandatory for any true music lover.

Most of the 11m people who visit Salzburg (population 150,000) each year are musical pilgrims, certainly, but they are not going for the reason you think. The city's biggest tourist attraction, apart from its intrinsic beauty, is not the infant prodigy Wolfang Amadeus Mozart. It is the family von Trapp.

At the risk of sounding snobbish I have to say I have not, even after all these years, seen *The Sound of Music*. So I suppose whole chunks of Salzburg were wasted on me: the Nonnberg convent that provided the widowed Baron with a children's governess and new wife; the rococo Leopoldskron Palace where the coaches still make a photo-stop (Harvard University, which owns the place, will not let anyone in); the meadows where the the dreadful *Do-re-mi* song was first sung. Every square, every café, every cobblestone is pregnant with association.

And, of course, the same is true for Mozart. The *frisson* factor is very high whatever the season. You don't have to go during the music festivals, which these days fill almost every month but March and November and which next year, being the bicentenary of Mozart's death, will be virtually continuous.

First *frisson* came in the marble hall of the Schloss Mirabell, built by the prince-archbishop Wolf Dietrich von Raitenau for his mistress Salome. In this room Leopold Mozart is said to have shown off his extraordinary children Wolfgang and Nannerl. At the end of a concert by the Hagen string quartet it was easy to picture us all, designer-dressed Salzburgers, prim Japanese students and wide-eyed tourists alike, as the wigged and powdered courtiers of 250 years ago languidly applauding a musical phenomenon.

The second was the sight of Mozart's own fortepiano and clavichord in the third floor apartment at Number 9, Getreidegasse, where he was born. On the latter machine, according to a note by his widow Constanze, Mozart composed *The Magic Flute*. The half-size violin is supposed to be the actual one given to the infant Wolfgang. The manuscripts on display are facsimiles. The real articles, said to be worth upwards of £48,000 a page, are kept in a vault of the music institute across the river.

The font in which he was baptised Johannes Chrysostomos Wolfgang Theophilus is in the vast Italianate cathedral, successfully bombed by the Americans in 1944. In the prince-archbishops' Residenz they show you the audience room in which the composer conducted for his employers — that is, when he was not travelling round Europe. The least satisfying memorial is the statue in Mozartplatz, a sculpture of absurdly heroic proportions put up in 1842 under the gaze of Constanze as she lay dying in the house opposite.

Thanks to its geography and the vigilance of its planning committee, old Salzburg is contained within a very small compass and is preserved almost as the autocratic archbishops left it. Indeed, under its fairytale Gothic fortress, it is today more like an open-air museum than a city. The archbishops tore down most of the houses to make way for their grandiose edifices and the remaining, carefully restored, 14th century dwellings are now far too expensive for mere living in.

A civilised way of touring Salzburg

But at night, when the museum closes, the coachloads of shrieking Italian schoolgirls are driven away and the lights go down, you are left to walk about on the moonlit stage of a vast opera house set for a production of *Don Giovanni*. In the atmospheric gloom you can forgive the tyrannical archbishops - they ruled what was an independent principality until 1803 — for so flaunting their power. They were truly princes of the church, high-living potentates dressed up as priests. Their buildings remain, but much of the contents have been taken away, by the French, the Austrians and then the Germans.

Church historians will not want to miss the *avant garde* gothic choir of the Franciscan church with its ring of baroqueside-chapels, each more elaborate than the last, nor the rococo exuberance of St Peter's.

But one bit of Salzburg's monastic past I particularly enjoyed was the beer hall in the former Augustinian monastery where young families and parties of pensioners gather for huge indoor picnics of lager, pretzels and *wurst*.

In a city not particularly well supplied with hotels you can still find traditional family-run guesthouses like the strategically-sited Weisse Taube, where a comfortable bed and acharming atmosphere cost less than £30 a night. There are plenty of good cafés and restaurants where you can eat without paying five-star prices for contemptuous service by spoilt waiters. Rather than the filmstar country of Tomaselli's and the Goldene Hirsch I would go for places like the Café Mozart, the Zum Mohrer (cash only) or the Goldene Ente.

Speaking of film stars, you can pay homage to the memory of Herbert von Karajan by visiting his grave in the parish cemetery of Anif, a few miles outside the city near the Hellbrunn summer palace. Anif is a rich man's village with wonderful views of the pyramid-shaped Untersberg where Salzburg's ubiquitous red marble is quarried. Karajan, who lorded it over his public in life, was buried — so I was told — secretly, at night, and according to Masonic ritual. But then Mozart was a Freemason too. It takes all sorts to make the sound of music.

■ **Christian Tyler's travel arrangements were made by the Austrian National Tourist Office (30 St George St, London W1R 0AL) and by Austrian Airlines, which has direct flights to Salzburg.**

TRAVEL BUSINESS

Go east, young man, go east

THE TRANSFORMED political scene in Eastern Europe has given short-break tour operators a fresh marketing opportunity: dozens of cities and regions steeped in history and culture which, until recently, were difficult for most Westerners to reach.

Eastern Europe has become *the* destination for short-break operators already benefiting from unexpectedly buoyant demand to all UK and continental European destinations and seemingly at odds with the sharp decline in traditional two-week Mediterranean holidays this summer.

Tour companies believe that the strength of bookings for short-break holidays reflects the shift in spending patterns on holidays over the past year. In Britain, high mortgage rates and the poll tax have hit the mass-market traveller hardest: typically, those families with children who would normally comprise the bulk of the package holiday market.

But analysis of those booking short-break holidays in Europe shows that demand is *strongest from two-income* professional couples with significant disposable spending power and, more importantly, from the over-50's. This so-called "grey" market is is benefiting most from current economic conditions.

The exact size of the short-break market is hard to calculate since the suppliers tend to be small, specialist operators and the market fragmented. However, the Economist Intelligence Unit, which monitors European travel movements, believes that the short-break market is now almost certainly the fastest growing sector of the travel industry in Europe — estimated to be growing at a rate between two and three times faster than that for longer holidays of four or more nights.

It reckons that the UK market alone — both for short breaks within Britain and elsewhere in Europe — is growing at between 15 to 20 per cent a year. Other Western European countries are experiencing the same growth pattern. The West German short break market, for example, is up by some 17 per cent over the past year.

However, it is the prospect of a united Germany — particularly Berlin — that has most excited the sophisticated European short-break traveller ever since the Wall was first breached. Demand from the UK alone is far outstripping supply, by an estimated ratio of three to one. The problem with Berlin is the same as for the rest of Eastern Europe: the speed of the changes is surprising tour operators, who need to organise flights, hotels and tours at least a year ahead.

"We were lucky to have doubled our capacity to Berlin this year even before the political situation changed," says *Jo* Monfort, managing director of Travelscene, one of the main specialist short-break operators. "But even that was totally inadequate to meet the level of demand."

So popular has Berlin become with Britons that it is nudging long-established favourite Rome out of fifth place in the Travelscene/Thomas Cook league table of most popular European cities for short-break holidays.

Most packaged short-break travellers seem to prefer to visit East Berlin by special day tour and stay in West Berlin the rest of the time, since the hotel accommodation and tourist infrastructure is better developed. But GTF Tours, the German tour company, is offering packages to both halves of the city. Two nights each in both East and West Berlin will cost £258 per person. Travelscene starts its three-night packages at the three-star Hotel Kronprinz in West Berlin at only £265 per person.

Although the flight capacity to Berlin has been helped by Dan-Air starting a scheduled service, the main problem remains a shortage of hotel beds. British visitors face stiff competition from other Europeans and US travellers, all of whom want to get a first-hand look at the changes taking place.

Availability for Berlin and some other East European cities, therefore, is already scarce up to the end of June, although it should ease after that as the traditional summer holiday market takes over. "If people are flexible about the dates they want to get away — and even their destinations — then they should be able to get a suitable short-break deal," says Monfort. The difficulties of getting into Berlin direct are helping other German cities attract visitors: GTF Tours reports that bookings for Munich, Dusseldorf, Frankfurt and Stuttgart are all up on last year.

Apart from Berlin, the other favoured East European destinations are Budapest and Prague, which have rather eclipsed Moscow and Leningrad in the short break stakes. British Airways, for example, is doubling its flights to Prague and using larger aircraft to accommodate demand for Budapest.

Even so, the popularity of cities such as Budapest is far less marked than that for Berlin. Indeed, most of the tourists to be found in Budapest are German or French rather than British.

However, the decision by the Association of British Travel Agents (ABTA) to hold its annual conference in Budapest later this year should help *boost awareness. Danube* Travel is the leading specialist operator, although a number of others also feature Budapest.

One problem facing Budapest, like most other East European cities, is a simple lack of adequate accommodation and facilities. Some operators, moreover, fear that this is not always made clear to holidaymakers.

"The less well-travelled may feel out in the cold with food shortages, little public transport and public buildings closed in certain areas," says Andrew Wilson, marketing director for Thomas Cook Retail. "It can be very unfortunate if countries attract tourists before they're ready to cope with the demand."

No such problems worry Europe's favourite short-break destination: Paris. This accounts for more than half of all short-break trips abroad by Britons and has thus attracted the major operators such as Thomson and International Leisure Group. Thomson, for example, took more than 45,000 Britons to Paris last year — up *by 20 per cent on 1988 — and* most of these travelled by air, with regional airports especially popular.

The leading operator, however, is Paris Travel Service, which took 108,000 Britons on short-break holidays last year.Amsterdam is the second favourite destination for Britons, in spite of some poor publicity about drugs and muggings. Vienna's long-standing popularity with the British puts in in third place in the Travelscene/Thomas Cook table, followed by Venice and Rome; Berlin is close behind.

Probably the most surprising "new" destination is Reykjavik. Last year the Icelandic capital was more popular with Britons as a short-break destination than Barcelona, Madrid or Brussels.

■ **Telephone: Travelscene 01-427-4445; Thos Cook *0800-88-1234*; GTF *Tours* 01-792-1260; Danube Travel 01-493-0263; Thomson 01-387-6534.**

David Churchill

A winter warmer in France

Why David Dodwell has Calais engraved on his heart

DISGORGED FROM a bedraggled Sealink ferry under an ominous grey sky that hinted more of Oldham than France, I confess to wondering *exactly why I had been coaxed* into a long weekend in the Pas de Calais in February.

It was certainly not the excitement of travel: the Sealink ferry had about as much appeal as an Arsenal pub ahead of a home match. Nor was it the weather: the windscreen wipers had been working overtime *en route* to Dover, and appeared set for only a brief rest as we wove through Calais' bleak docklands.

Half an hour's driving along the barren coast past Boulogne told me that it wasn't the scenery, either. Even Lumbres, where we were staying for the weekend, welcomed us with belchings from a cement factory chimney.

Of course, we were there for the food, and even in the drab farming country of the Pas de Calais the French would never let us down. The love affair began reliably in a charcuterie on the narrow mainstreet of Wimereux, just 35 km west of Calais, where rusty French succeeded in locating baguettes, a couple of rich patés, a local camembert, a bottle of *vin ordinaire*, and change out of £5.

Stage two of the love affair was consummated — equally reliably — on the once-grand Wimereux waterfront promenade, where *hundreds of* unhurried locals walked their poodles in front of the boarded windows of grand 19th century houses abandoned for the winter by the monied classes of Paris, Amiens or *Lille. I never* feel I am truly in France until I have laid this gourmet's picnic out on a bench, spread melting camembert on a fresh-torn baguette, and washed it down with wine from a plastic cup.

But the real feast awaited us at our *auberge*, the Moulin de Mombreux, which was well-hidden from the cement factory in Lumbres on the burbling river Bléquin. This 18th century watermill came to a halt in 1955, but has been the picturesque culinary home of M and Mme Gaudry since 1968.

There is a peculiar satisfaction in eating as well as you ever could at L'Arlequin, Le Manoir aux Quat' Saisons or with the brothers Roux, but emerging with change from £50 *for two*. There is satisfaction, too, in the matter-of-fact presentation of superb food in superb surroundings (not daintily *nouvelle*, either): in the UK, rarity makes it a very big deal; for M Gaudry, it is no more than would be expected of him.

While the countryside north of Lumbres seemed unrelentingly dull, some of the rural charm typically associated with France begins to break through south of a line from Lumbres to the coast at Boulogne. Le Touquet may be too glutted by half with British day-trippers, *but its over-priced* main shopping street has great character, and the fish soup at Pérard Au Touquet is worth many a return visit.

Montreuil, just 13 km inland along the Canche river, has retained its medieval streets, and the Chateau de Montreuil hotel, with a lovely walled garden behind its battlements, has attracted an array of compliments since its recent refurbishment. Another 30 km up the Canche, the Hotel Cléry in Hesdin-L'Abbé has a charming setting that is worlds apart from Calais' drab hinterland. It is not quite the Loire or the Dordogne, but at least you can get there and back easily inside the weekend.

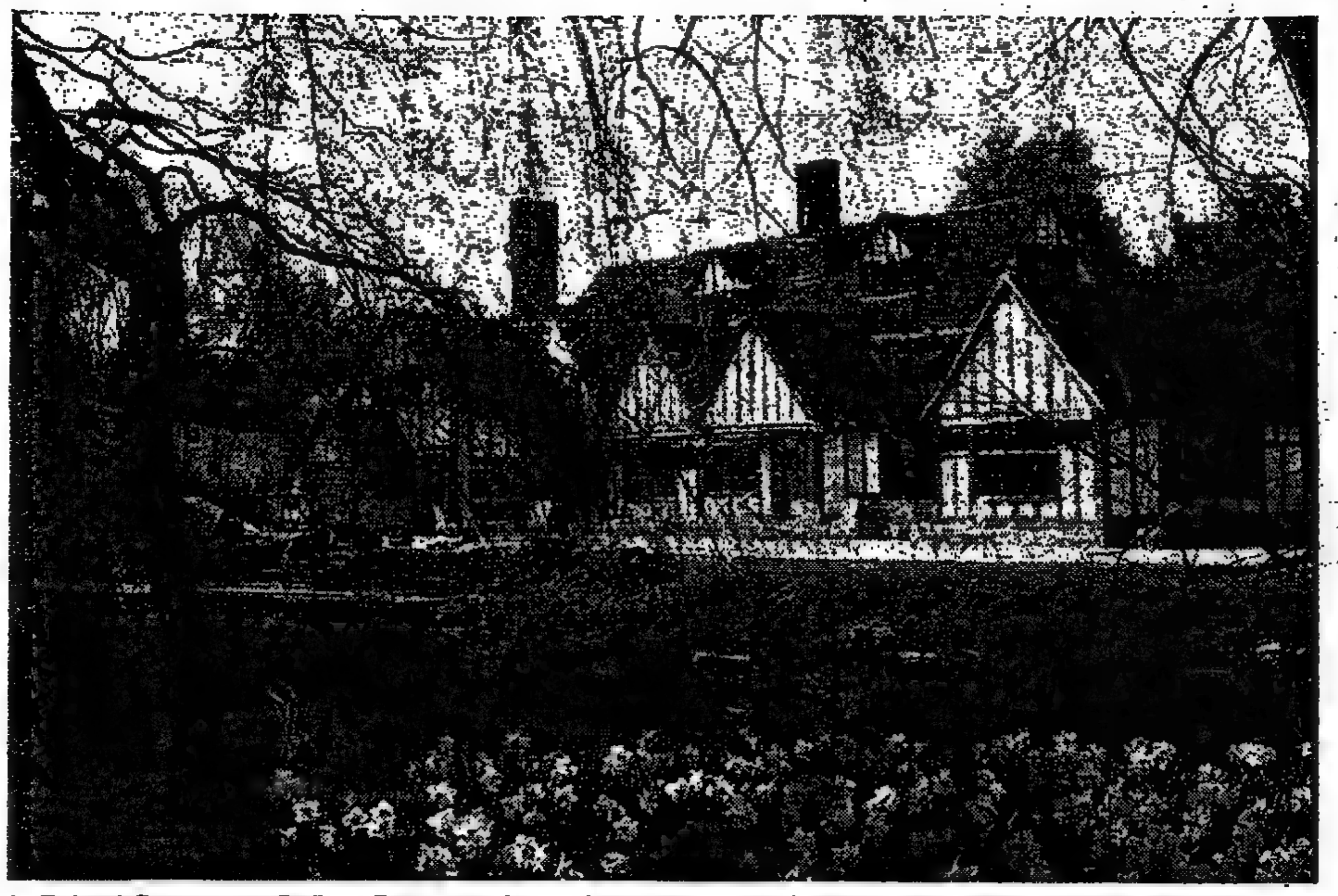
As we plied homeward *through* soaked countryside, I felt on balance that people would regard me as mildly lunatic for entrusting myself to a ferry, and fickle weather, in February. On the other hand, I *fear the summer tourist hordes* would make the Channel crossing even bleaker in August.

I also reckon that those same hordes would make it all but impossible to arrange an *impromptu* weekend at small havens like the Moulin de Mombreux. I could think of no better final stop at the end of a driving holiday around France: a last recharging of the gourmet *batteries before returning* to the indifferent fare of average English restaurants. So February it would have to be; or nothing.

European Breaks

TRAVEL

Bookings for short-break holidays are booming, and travel companies are readying themselves for a bonanza in Eastern Europe. To launch four pages of special coverage, ***Michael Thompson-Noel****, FT Travel Editor, drives clockwise around England on a tour of superior country house hotels*



Le Talbooth Restaurant at Dedham, Essex, one of several properties operated by the energetic Milsom family

A superior tour around England

WHAT A difference a year makes – especially when there are dead clouds everywhere and hurricanes are three a penny and gravity is growing heavier. *Greenhouse effect?* This is only the start of it.

In January last year, when I and my valiant Rover headed west from London's Notting Hill in search of Land's End, the weather was warm and freakish – only a degree or two colder than in Athens or Alexandria. I saw strange things in the countryside as the car sped along: acres of bluebells, swineherds cavorting, a gleam of Saxon barley, dancing round the maypole, black geese at crossroads. It was May and September rolled into one.

Thirteen months later we left London again, nudging westwards and northwards on a clockwise tour of England – the Cotswolds, Shropshire, Cheshire, the Lake District and Suffolk – so as to acquaint ourselves with the attractions of a clutch of superior country hotels: the sort we could recommend for short or long weekends, licit or otherwise.

Everything was different. England was water-logged. There were landscapes of nothingness, as flat as inland seas. The rivers were drowning. Storms shook and raged. There were lifeboats on motorways. In many parts of England villagers were building arks, and launching them recklessly.

In deciding which hotels to visit, I had been buffeted by conflicting points of view – the first from someone who enjoys the good life and is not unaverse to a spot of expensive travel; the second from a person who believes that high-priced travel is decadent and frivolous.

My first conversation had been with Arnold Wilson, the FT's main skiing writer. We were chatting in Seville. I was anxious to discover why he invariably has such a scintillating time at those ski resorts of his. I asked him: "Aren't you *ever* disappointed? Where is the downside? Where the negatives? And what's all this about 'champagne snow'? Isn't 'champagne snow' just a trifle brochurish?"

He did not not look pleased. "Well," he said sniffishly, "what I do is go in search of top-flight ski resorts, the very best I can find, so that I can recommend them to *Weekend FT* readers. I avoid the cheap and grotty ones. As a consequence of this policy I *do* tend to enjoy myself. 'Champagne snow' is understood by anyone who skis."

A rival point of view, in favour of cut-price travel, was put to me subsequently by the beautiful Lavinia Sloane-Wally, whom I met at a *Weekend FT* party in Hampstead, if you please. The occasion was glittering. You could tell it was glittering because the News Editor was there.

"I know about you," said Mrs Sloane-Wally, who holds an executive position with a gifts firm. "You write travel stuff that caters to the international white trash." I recoiled on the sofa. With delicate probing I discovered that what this creature meant by "international white trash" was people – anyone – who could afford £1,000-plus for a holiday. What *she* wished to read about – her eyes flickered magically – was inexpensive travel: soulful travel: *cultured* travel: the sort of travel that gave one a nice weekend in Paris, say, for about £12 a head including air fares, meals, taxis and companionship.

As well she might. But not in this article, because the hotels covered here are just a *little* bit expensive, or at any rate not cheap. Some of them are grand. Some are tucked away. All are highly recommended for short breaks in the countryside.

My first stop was The Manor at Chadlington, Oxfordshire, three miles south-east of Chipping Norton and 17 north-west of Oxford, with Stratford-upon-Avon and Cheltenham equidistant: a splendid Cotswold manorhouse in 18 acres of grounds owned and run by David and Chris Grant, whose aim is "to offer guests the true flavour of the real country house, rather than merely an hotel in the country."

In the 1990 *Good Hotel Guide* The Manor gets a special César award for *Newcomer of the year, country house division.* It overlooks the Evenlode valley, is surrounded by pasture, has seven double rooms, all with bath and shower (there will be 12 by the summer) and is open all year. It is exceptionally peaceful. It does not offer cut-price weekend deals as such; charges are £80-£100 for a double room, £50-£70 per single.

Next stop: Mallory Court, at Tachbrook Mallory, just south of Leamington Spar, Warwickshire: a grand yet comfortable turn-of-the-century stone house, formerly the home of the head of Standard Motors but run for the past 14 years as a luxury country house hotel by Allan Holland and Jeremy Mort. It has 10 bedrooms at present, an outdoor 1930s swimming pool, squash court and all-weather tennis court. Near-by attractions include Warwick and Kenilworth Castles, Stratford, Ragley Hall and Charlecote Park.

"The country house thing has got rather blurred of late," Jeremy told me. "The big boys move in, spend millions and create an instant country house hotel, but one with no soul. The key thing is caring: comfort and well-being."

More than 55 private gardens are open to the public in Shropshire each year — often with teas on offer, plants for sale and picnic areas

Mallory Court is a member of Relais & Chateaux. It charges from £85 to £265 per room per night and offers short breaks at £190-£240 per person for three nights, including lunch or dinner, breakfast, service and VAT: a reduction of approximately a third on normal terms.

From Leamington to Ludlow, in south Shropshire, to Dinham Hall, an intimate and attractive establishment. It has 10 rooms, a gas-lit restaurant, gymnasium and sauna and is exceedingly comfortable. It is right next to the castle. If you ask the proprietors they will fix you up with trout or coarse fishing, riding, shooting, golf or walking expeditions in the splendid Shropshire countryside.

More than 55 private gardens are open to the public in Shropshire each year. At the village of Whittington on the A5 (Shrewsbury to Oswestry), 16 adjoining gardens in Daisy Lane are opened together. Often there are home-made teas on offer, plants for sale, sometimes a picnic area. Details of gardens open are available from Mrs J.H.M. Stafford, The Old Rectory, Fitz, Shrewsbury SY4 3AS.

Room rates at Dinham Hall range from £40 to £82 per night, with off-season breaks available.

The next day I drove north through more drowned landscapes to Crabwall Manor at Mollington, near Chester. The manor is an historic castellated building in 11 (rather stark) acres and is owned by Carl Lewis, a Liverpool builder-developer-restaurateur, and managed by Julian Hook. The chef is Michael Truelove, formerly of the Box Tree restaurant, Ilkley.

Crabwall Manor opened three years ago and has 48 bedrooms. "I don't want to sound precious," said Hook, "but we are a hotel in the country with the operating philosophy of a country house hotel. Our main markets are corporate entertaining plus weekend stays." On weekdays you may find it over-run by noisy businessmen concluding small (or large) deals. The night I was there one of them had flown in from Saudi, which seemed over the top to me; but it is no doubt a good spot at weekends. And the service is excellent. Room rates are from £70 to £165 per night; weekend deals, available throughout the year, run from £68.50 to £93.50 per person per night (minimum stay: two consecutive nights), including four-course *table d'hote* dinner and breakfast.

Next stop: the Lake District, in search of three distinctive hotels. I had not visited the Lake District before, and was suitably taken.

The first place I was looking for was The Old Vicarage Country House Hotel at Witherslack, at the southern edge of the Lakes. Because of flooding I was diverted off the main road, but soon came to a village. It was hailing. The snowdrops were out. It was dazzlingly sunny. I stopped to ask directions of a youth propped by a wall. I believe he was building it. He was wearing numerous woollen hats. We surveyed each other in amazement. "Is this the way to Witherslack?" I asked. He drooled in stupefaction. *"You're in it,"* he announced, and shook so much with laughter that two of his hats fell off.

The Old Vicarage was awarded a César in the latest *Good Hotel Guide*, for *Outstanding hospitality, Lakeland style*, and is perfectly splendid. It is owned and run by four partners, Roger and Jill Burrington-Brown and Stanley and Irene Reeve. (They do exist: I counted them). In 1976 they paid £29,500 for the vicarage plus 4½ acres; the property is now said to be valued at more than £1m. There are 13 bedrooms; soon there will be 16.

"People come here for two things," they told me. "Mainly for the food: a certain style of cooking, our avoidance of overly rich flavours – you could call it gourmet vegetarian food, but please don't use that dreadful phrase. Food is our hobby and life. Second, they come for the quiet. We're about 4½ hours from London by train (Euston to Kendal). People need short breaks." The rates (b&b) are £70-£110 per double room per night, with three-day breaks available all year (£180-£300 per couple); dinner costs £31.50.

From Witherslack I drove to Ullswater, to Sharrow Bay Country House Hotel, proprietors Francis Coulson and Brian Sack. Sharrow Bay is a member of Relais & Chateaux and one of the original fine country house hotels of England. It has won virtually every award in the business. The place was closed for the winter when I was at Ullswater, but Brian Sack gave me tea and cake and explained that the Sack-Coulson philosophy was based on cosseting.

Sharrow Bay has 30 bedrooms, 12 in the main hotel, the rest in the grounds or close at hand. "Francis first came here in 1948 when no-one wanted houses in the Lake District," said Brian, "so that was fortunate. He opened in '49 with five bedrooms. Because of rationing he had to learn to cook early on in a fairly simple English way. It was the teas wot made us famous, that put us on the map. Half-a-crown teas, 12.5 pence; people used to queue. It's been a way of life for us: beautifying the place, ploughing back the money, doing things the hard way." Charges at Sharrow Bay range from £65 to £110 per person per day, including breakfast and dinner.

My last stop in the Lake District was Michaels Nook Country House Hotel at Grasmere, a superb establishment named for the shepherd of Wordsworth's poem. It was once the summer home of a cotton industrialist and was opened as an hotel in 1969 by its present owner, the enterprising (and entertaining) Reg Gifford, who runs it with his wife Elizabeth. (Asked by a guest if Michaels Nook had a house red, Reg replied: "A house red? Not as such, sir.").

Michaels Nook is fairly hard to find – I drove round and round – but is well worth the effort for it offers an excellent combination of luxury and eccentricity. There are nine rooms and two suites, costing from £68 to £112 (more for suites) per person per night, including a five-course dinner and breakfast.

Braving biblical storms, to say nothing of the Midlands, I returned to London via Suffolk. First stop: Hintlesham Hall near Ipswich: a front-rank property and a Relais member. As its brochure says: "Hintlesham Hall is nothing if not a house of evolution, and contrary to the impression given by its famous Georgian facade, was not built in the 18th century but in the 1570s . . ."

Ruth and David Watson bought it in 1984 from Robert Carrier, who ran it solely as a restaurant; now it is a hotel of 33 bedrooms and suites, and a fine and comfortable one, too. Cheap it is not. It is not a place for Lavinia Sloane-Wally.

As a matter of fact, Hintlesham Hall is extremely expensive to run and is up for sale, the Watsons saying that their efforts to run the business have not been helped by "Maid Marion and her merry band." Hintlesham Hall welcomes good dogs (not in public rooms) and good children. Rooms cost £80-£195; mid-week breaks (two nights, two people sharing), £150-£250-plus, including breakfast and a four-course *menu gastronomique* each evening.

Finally, I spent an innocent night at Maison Talbooth Hotel at Dedham, near Colchester – one of several properties run by the energetic Milson family. I found Maison Talbooth first rate but not – again – a place to take Mrs Sloane-Wally. Maison Talbooth does not have a restaurant; as a result, staying there is like experiencing the tranquility of a luxurious Victorian country house. They do good breakfasts and brilliant teas. For dinner, you can eat at Le Talbooth, nearby, an excellent restaurant and another Milson property. The family also operates the Dedham Vale Hotel & Terrace Restaurant, and The Pier at Harwich, a restaurant-cum-hotel. Room rates at Maison Talbooth are £80-£135; at the Dedham Vale Hotel, £70-£95, at The Pier, £40-£65.

Telephone Numbers:
The Manor, 0608-76711.
Mallory Court, 0926-330214.
Dinham Hall, 0584-6464.
Crabwall Manor, 0244851-666.
The Old Vicarage, 044852-381.
Sharrow Bay, 07684-86301.
Michaels Nook, 09665-496.
Hintlesham Hall, 047387-334.
Maison Talbooth, 0206-322367.

■ *The Good Hotel Guide 1990* is the single most useful volume for planning weekend breaks. As well as Britain it covers western Europe: not just Spain, for example, but also Andorra, the Balearics, Canaries and Gibraltar; not just Portugal, but the Azores and Madeira. Widely available, it is published by the Consumers' Association and Hodder & Stoughton at £11.95. The same alliance also publishes the *Holiday Which? Guide to Weekend Breaks*, covering England, plus guides to the Lake District, Greece and the Greek Islands, France, Italy, and so on.

Most recently, *Which?* has produced a revised edition of its exceedingly useful *Good Bed and Breakfast Guide*, which costs £9.95 and lists details of more than 1,000 b&bs in Britain and the Channel Islands, with the emphasis on comfort, cleanliness and friendliness. Most cost between £10 and £25 per person per night and vary from moorland farmhouses to cosy seaside guesthouses and Georgian townhouses.

The guide editors have selected a Top 20 list as follows:

Woodville House, London SW1; The Black Hostelry, Ely, Cambridgeshire; Corner Cottage, Admington, Warwickshire; Corner Cottage, Westerham, Kent; Fron Goch, Cynwyd, Clywd; Hammer and Hand Country Guest House, Hutton-le-Hole, North Yorkshire; Holly Cottage, Bakewell, Derbyshire; Loxley Farm, Loxley, Warwickshire; Mayfair Hotel, Blackpool, Lancashire; Midhurst House, St Peter Port, Guernsey; Mizzards Farm, Rogate, West Sussex; Old Craigmore House, Rothesay, Isle of Bute, Strathclyde; The Old Rectory, Standlake, Oxfordshire; The Old School House, Castle Hedingham, Essex; Shurnhold House, Melksham, Wiltshire; Slough Court, Stoke St Gregory, Somerset; Tegfan, Talsarnau, Gwynedd; Trinity House Hotel, Ulverston, Cumbria; Wheatsheaves, Winsley, Wiltshire; Woodlands, Blair Atholl, Tayside.

If you are less fastidious than Mrs Sloane-Wally, and do not mind a spot of luxury, then get a copy of the *Relais & Chateaux Guide 1990*, covering 378 hotels and restaurants in 38 countries. The organisation's centre d'information is at 9, avenue Marceau, 75116 Paris, tel: (1) 47.23.41.42. Fax: (1) 47.23.38.99.

Of noisy beds and Second Empire loos

Roger Beard defines his type of French hotel

THE 1900 first-edition Guide Michelin lists just two hotels for Cannes: the Grand, which still stands in the Boulevard de la Croisette, and the splendidly-named Hotel des Colonies et des Negoiants, which is no longer listed. The first cost FFr13 a day, the second between FFr7 and 10, both with wine included.

The current book lists 42, and you can pay up to FFr1,400 a night at the Grand, or considerably more at the Carlton, while your wine is definitely *non compris*. Yet the standards set by such 19th century provincial French and Parisian grand hotels remain the benchmark of quality throughout Europe.

True, Michelin 1900 was preoccupied with more urgent matters — where you could buy petrol or hire a mechanic, how you changed a tyre, where the nearest telephone was and whether the hotels listed had a darkroom for the tourist to develop his own plates. Today, the phone is taken for granted and the fax has replaced the darkroom.

But for the serious tourist the same basic standards of service, taste, and charm still apply, even though the gilt has peeled a little from the gesso work, the plumbing hammers away through the night and the chef should be drawing his pension.

If you are looking for the serviceless, tasteless and

repetitive offerings of many of the modern national chains, read no further. They have their uses, but so do working men's hostels, whose functional anonymity they share at ten times the price. The damage they have done to those real hotels which adopt their "standards" is incalculable.

There is no service, since there are no staff, their public rooms do not exist and their food is microwaved. Worse still, there is nobody to complain to about such low standards at *grande luxe* prices.

If, on the other hand, you seek to enter the world of the real hotel, read on. Some are grand indeed, many more slightly faded, and just one or two are privately special. Most are in France and Italy, since that is where we do most of our travelling; one or two are beyond the pale of the Midi.

Starting at the top, Parisian hoteliers rate the Bristol as the best hotel in Paris — if you can afford its £250 a night, rather than the equally expensive George V, also in the Eighth. In fact, there are a dozen such places, each with exclusive soaps, vast towels and whatever you want at the drop of a credit card. For mere mortals they are *de trop*.

As a non-paying guest in a £1,000-a-night suite at the vast, Second Empire Grand, I recently spent the night patrolling my temporary domain, checking what was on the second television and who was in the other bathroom. It was magnificent, but it was not my Paris.

That is at the Nouvel Hotel, close to the Place de la Nation, where the enclosed courtyard serves breakfast under the trees, but no other meals, and the Metro lies within 100 yards. Such little palaces must be sought out, but at least they follow the standard French hotel rules that towels should be miniscule and non-absorbent, the plumbing Second Empire, the lighting inadequate and the bed noisy.

Which brings us neatly to the epitome of the true French hotel, 370 miles to the south west of the capital, at Cahors, a sleepy town on a bend in the River Lot. The Hotel Terminus is solid, traditional — and dependable. Its room prices are still cheap — £30 for a double that you could stage a Wimbledon final in — and its decor has not changed in a century.

From the outside it looks right, with creepers growing up its dark brick exterior and green paint peeling from the cast-iron balustrade of the steps leading to an indisciplined garden. Inside, the promise is fulfilled by panelled public rooms, the dark mahogany check-in desk and the gleam of the bedroom keys on the board behind it.

Upstairs they have resisted the temptation to turn one room into two, or to gentrify the vast bathroom with its giant Victorian bath. At some point in the 1920s they installed radiators, but that is all. The towels are miniscule, there is no designer soap; you are at home. From here to the Hotel de France at Nantua, or the d'Arlaton at Arles, and a thousand more, is no great step.

The great Paris hotels did not feature in the original red Michelin. It concentrated instead on one grand and one basic hotel for each provincial city that those early motorists were likely to visit. Many have changed little since then. One or two still retain the petrol pump under the arch, just behind "le parking," while the establishment and its cooking stay in the family.

Across the Italian border, such hotels are rare. Their equivalents are usually post-war, jerry-built, cramped and ersatz, but what they lack in charm they make up for in lighting. Half Lombardy seems engaged in making chrome and globe light fittings, and you can light the average Italian hotel room from at least seven different points.

Where Italy scores is in the truly grand hotel, those masterpieces of conspicuous expenditure breath-taking in their use of old buildings, pole-axing in their prices. On the Lakes they are as common as fur coats in Milan, while who would not compromise themselves totally for one night at Venice's Gritti, Cipriani, or Danieli?

Throughout the peninsula as far as Naples they have used previous private palaces as hotels to devastating effect, not just for the tourists but for themselves. An Italian grand hotel is not just somewhere to stay, but somewhere to be seen. Cocktail hour is the *passeggiata* of the rich.

Much past Naples there are no grand hotels, for there are no rich — until you get to Sicily. There, overlooking the sea in a corner of Palermo, and surrounded by dire poverty, is the Villa Igiea, which can hold its own with any northern hotel.

The Villa Igiea is a well-restored palace, in a city full of broken-down palaces, with spectacular public rooms, bedrooms at £200 a night and apartments at considerably more than that. It is an oasis of peace and plenty in a city of violence and squalor, with nothing in common with other hotels in the island's holiday and tourist spots.

It has that vital extra ingredient which makes an hotel a success, whether it be high or humble: the ability to exercise your imagination — not just on the fabric of the building, but the situation and character of its guests. Dull people choose to stay in dull places, eat dull food and worry about the cost.

Who, then, chooses the Danieli, the Bristol, Villa Igiea or more modest equivalents against the world's Hiltons? Illicit couples and eccentrics, certainly, but also those who can use their eyes and minds as well as their plastic cards. The alternative continuous brush salesmen's convention of the modern chains is not to be contemplated.

The contrast is most clear at Spain's greatest hotel, the Los Reyes Catolicos at Santiago de Compostela, hidden away in the depths of Galicia. This 16th century palace, built round a succession of courtyards, is like staying in a museum. You do it once, and never again. But who would not want to spend one night, say, at Hampton Court or Windsor? That is style; that is imagination.

A Polish spring: flower sellers in Warsaw

Warsaw: then and now

Antony Thorncroft composes his very own concerto

WEEKEND IN Warsaw — somehow it is the romantic ballad that was never written. While the chattering classes natter on about the rediscovered glories of Prague and Budapest, Poland's capital, plum in the middle of the Great European Plain, pulls few heart strings. Perhaps the fact that 85 per cent of the city was destroyed during the Second World War diminishes its glamour.

Yet there is something uplifting about Warsaw which makes it an ideal place for a short break. There is no point in trying to duck its history: the fact that the city, like the nation, has been the shuttlecock of Europe for 1,000 years is what provides its grit.

You might imagine you are immune to the melancholic resonance of war memorials, but standing before the vast marble slab which commemorates the Jewish Uprising of 1943, or the recently completed statue of partisans disappearing into the sewers to fight another day, you find yourself sucked into the story of Poland. Most affecting of all is the statue of a young girl, hair flowing back, the traditional spirit of Warsaw, built in 1939 to decorate a bridge across the Vistula. The beautiful 19-year-old model was killed five years later on the first day of the uprising.

The very look of Warsaw is a legacy of the war. As you drive quickly in from Europe's most depressing airport you come across a forest of concrete. In the rush to provide homes for its returning citizens, the authorities threw up bleak appartment blocks which encroach into the heart of the city. Towering above the grey is the Palace of Culture, Stalin's gift to the Poles in the early 1950s, hated as much for its pervading menace as for its graceless architecture, but valuable as home to numerous theatres and galleries. Only at night, when the neon brightens the sky, does the centre of Warsaw become human.

And then the people, oddly invisible by day, come out to shop at the street markets which have turned the city into a northern Bangkok. In its dash towards a real economy, Poland is undergoing a short, sharp financial shock which forces some to make ends meet by offering for sale, from pavement boxes, everything from plastic shopping bags to home-made biscuits to bananas and telephone directories.

For a few months, one hopes, Warsaw has become the cheapest city in Europe for a Westerner to visit. The black market exchange rate has now become official so there is no need for any illegal street bargaining: you get the same lavish number of zlotys in a top hotel. If you take in £100 for a weekend it translates into 170,000 zlotys — three times the monthly salary of a Polish professor. You might manage to spend it all if you confine your wining and dining to the new Marriott Hotel or the Victoria Inter-continental, but you would have to have very odd tastes to go through your money elsewhere in the city.

It is not a place for great food (although the vodka and beer are cheap and uplifting), or for shopping. Many of the shops close on Saturdays and anyone with an itch to buy is best advised to visit the open air markets which invade vast areas of the city at weekends. Taxi drivers will take you there but ask them to wait. Some taxi drivers like to be paid the low fare in dollars or sterling, but many are proud of the fact that the zloty, however weak, trades freely, and accept their own currency.

What makes Warsaw special is the fact that the awfulness of the 1940s persuaded the authorities, in the nick of time, to give the people back the Old City, every building of which, including the cathedral, is meticulously recreated. As a result, stretching from the royal palace on its hill above the Vistula you will find the narrow streets of the Warsaw of around 1600, which then merges into the New Town of about a century later.

It could be tacky and artificial. In fact, the lack of funds for repairs ensures that the heart of the Old Town, the Market Square, with its colourful painted houses above shops and restaurants — all different and all, bar one, replicas — looks and feels like the real thing. Here in summer are the sellers of paintings and chess sets and the open air cafés. And here is my best buy in Warsaw: posters from the 1950s and 1960s. For less than 50p you can take home an excellent example of highly-acclaimed Polish poster art: an advertisement for a movie, or a music festival, or a play.

The furnishing of the royal palace has just been completed. A tour of the palace, in which you shuffle along in slippers to protect the pristine floors, is a sad experience. Most of the national treasures have been destroyed or stolen. Only one room, which contains paintings of 18th century Warsaw by Belotto (some of which were used as source material by the architects of the restoration), offers impressive art, although the throne room is a potent reminder of that brief period when Poland ran its own affairs.

Once again, though, Polish history marched out of step with most of Europe — its kings were elected. With such a precarious hold on power they obviously set out to enjoy themselves, and led their nobles a competitive dance. The great surprise of Warsaw is the row of palaces that progresses from the royal seat down to Nowy Swiat and then on a four-mile processional route to the parks and summer palace in the south.

Here, restored, is an architectural bonanza ranging from 18th century collonaded palaces to baroque churches to a row of early 19th century facades above the best stocked shops in a townscape which rivals Cheltenham's. As the avenue widens you walk alongside parks, one of which contains the statue of Chopin (his heart is a mile back in the Church of the Holy Cross, before which concerts are played on summer evenings). You soon reach the Lazienki Palace, the palace on the lake, the summer home of the last Polish king, Stanislaus Augustus, thrown out in the 1790s.

Warsaw now has a luxury hotel, the Marriott, complete with a casino where suspicious men in leather jackets play roulette in the afternoon, and a jazz club on the 41st floor. It is badly sited near the railway station but offers restaurants serving Chicago rib steaks and Italian cuisine.

If you can wait, one of the most famous and first hotels in Europe, the Bristol, dating from 1860, is being renovated (by Trusthouse Forte) close to the Old Town. This will be the perfect base: northwards to the cafés, curio shops, and horse-drawn cabs round Market Square; south to the palaces and parks.

Warsaw is changing rapidly. The site of the destroyed town hall is on offer to any western hotel company prepared to recreate the old building to house its guests. The people are so used to living an unreal life, hugging their personal histories behind facades, that they seem content to live in an architectural model. As they become more secure about the future they should have the confidence to let go of some of their ersatz environment. Warsaw may not have the inviolate past of Prague or Budapest, but it has a very interesting present.

■ One drawback in visiting Warsaw is that you need a visa, priced at £20. British Airways and LOT fly you there in 2½ hours for £216 return; there are some discounted fares at £149. Once in Warsaw, the Marriott offers inclusive weekend deals for £100 per person, including some gambling chips, and this summer is arranging cultural weekends which can include concerts at Chopin's birthplace, a small country villa 40 kms from Warsaw, and a visit to the *Opera House*, one of the largest in the world.

Stately Bruges: churches, canals, fog, swans, museums, Memling, madrigals — and food

Eaten under the table

Michael Thompson-Noel finds Belgian food worth the fare alone

IN THE foreword to *Fodor's* travel guide to Belgium and Luxembourg, it is said that there can be "few areas of comparable size in the world where so much can be seen with so little expenditure of time and travel. You can go through centuries in a matter of hours; from prehistoric relics to visionary town-planning, from placid farmland to throbbing power-houses of technological progress, from traces of an ancient empire to modern European co-existence."

Well, I never. There was nothing visionary or throbbing about my recent visit to Belgium – my first – although I certainly found it placid in the dictionary sense – "serenely free of interruption or disturbance." Not entirely placid, though. There was *one* interruption. I was in Ostend, sleepless in the Hotel Bero at 2.30 am and nearing the end of Martin Amis's novel, *London Fields*. I had reached the point where the narrator is reading a letter from Mark Asprey, which concludes: "It doesn't matter what anyone writes any more . . . The truth doesn't matter any more and *is not wanted*." There was an English soccer hooligan in the street outside the hotel. There are English soccer hooligans everywhere these days, even – perhaps especially – when there isn't any soccer. This one was in pain. He bellowed to his friend: "Sod it, Martyn, I'm f*****."

Apart from that, my visit was serene in the extreme. I caught the ferry from Dover to Calais. Drove to Ostend. Dined formidably. Stayed the night. Drove to Waterloo, south of Brussels. Visited the Wellington museum. Toured the battlefield. Lunched heroically. Drove to Ghent. Dined exceedingly. Stayed the night. Drove to Bruges. Dined to bursting. Stayed the night. Back to Calais. Re-crossed the Channel. Up the motorway. Nearly fell out of my car at the ugliness and chaos that call themselves London.

People say Belgium is boring: not unpleasant but bland, baffling, bourgeois. And schizophrenic: the land of *compromis à la belge*. Says Fodor: "Take the law, for example. One-armed bandits and other forms of small-time gaming are illegal. Yet an elaborate system exists to tax the profits from these (theoretically) non-existent money-spinners."

The beauty of a short break, of course, is that you do not need to worry about that sort of thing. Nor about powerhouses of technological progress. Nor about Brussels. Nor about anything very much apart from peace, bed, museums, walking in the rain, fog, swans, canals, madrigals, Memling, medieval ecclesiastical carvings. And food. That is spectacular, and worth the fare alone. 1990 has been designated "Gourmet Year" in Belgium, although whether this means anything in a country that spends so much time, money and talent ensuring that every year is gourmet year is something I cannot ponder.

> *'There was an English soccer hooligan in the street. They are everywhere these days'*

I could not keep up with my hosts. Whereas your average Belgian can cruise through six, eight, 10 or 12 courses at the dinner table as easily as a shot-putter dispatching kilos of caviar, I come to a stop after three or four. This happened in Ostend, at the Restaurant Le Basque, right on the front, virtually next to the casino. It was the *muscheln in rahm* (mussels in cream sauce) followed by the *garnierte seekrebse "belle vue" mit zwei soben* (garnished lobster "bellevue" with two sauces) that did for me, whereas the Belgian who was eating with me breezed straight through his early courses

I liked Ostend. I like any place with a pier, a casino, a good sandy beach, plenty of fish restaurants and a few naughty bars. I liked Waterloo, and Ghent, and Bruges – especially Bruges, which is stunningly well preserved and ever more shall be so. The three chief treasures of Bruges are reckoned to be the Relic of the Holy Blood, which is kept in the Heilig Bloedbazilliek (Chapel of the Holy Blood), is displayed to the public every Friday and carried in procession each Ascension Day; the collection of works by Hans Memling, including the stupendous *Mystic Marriage of Saint Catherine*, housed in the Hospital of St John; and Michelangelo's sculpture, *Virgin and Child*, in the Church of our Lady, almost opposite the hospital.

There are plenty of excellent hotels in Bruges. I stayed at the Novotel – new and very central – and was given dinner at the Hotel-Restaurant Die Swaene, which is luxurious in the extreme (first-rate food; room rates from about £73 for a double to £113–for a suite). In Ghent I stayed at the St Jorishof Hotel.

■ Michael Thompson-Noel crossed to Calais with P&O European Ferries, which has a brochure of hotel holidays in Belgium, Holland and Germany from five to 14 days or more, via Dover or Felixstowe (tel. 0304-214-422). His visit was arranged by Belgian Travel Service, which offers various short breaks and other packages (tel. 0920-467-345). Related companies include Swiss Travel Service (0920-463-971), Paris Travel Service (0920-467-467), Amsterdam Travel Service (0920-467-444), London Travel Service (01-730-3404) and British Travel Service (01-730-3404).

Amsterdam Travel Service, for example, has expanded its programme for 1990, introducing two more UK airports – London City and Norwich – making 17 in all. The Amsterdam Air Express holiday (from £99) includes return flights from Gatwick and three nights' accommodation in a centrally-located hotel.

Paris Travel Service also offers short breaks from £99 involving more than 100 hotels (new this year: the Inter-Continental and the Prince de Galles) and has added two mere airports (Belfast and Leeds/Bradford), making a total of 20 UK departure points by air, sea and rail.

The pure magic of Portmeirion

LIKE JAN MORRIS, I can go a bit weepy at the sight of a truly fine landscape or seascape, particularly one as noble as the view you get by looking across the river from the Hotel Portmeirion, which perches on its own peninsula overlooking Cardigan bay in Gwynedd, north Wales.

I am less well travelled than Jan Morris, who maintains that Portmeirion "stands upon one of the most handsome and compelling coastlines of Europe," but it is certainly very grand.

To the west lies the Llŷn peninsula, stretching away to sacred Bardsey Island, a place of medieval Celtic pilgrimage; to the south, Cardigan Bay (on a fine day, they say, you can just see St David's Head, at the other end of Wales); to the north and east, wilderness and mountains, the rocky ramparts crowned by Snowdon itself. Not that you need go flinging yourself up mountainsides – or doing anything energetic – during a short break at Portmeirion, for there is plenty of joy and comfort immediately to hand.

For a start, there is the magical village of Portmeirion itself, created by architect Sir Clough Williams-Ellis between 1925 and 1972. Now acclaimed as a work of art, it attracts more than 300,000 visitors a year. As Sir Clough explained, the site he had envisaged was "sea-girt, rocky and mountainous, yet so sheltered as to be luxuriously wooded, prudently remote, yet reasonably accessible, if possible with a waterfall, a ruined castle and a nucleus of old buildings to give me a cue and a start."

Incredibly enough, that is what he found at Portmeirion. And so he built his village, blending it in perfectly with the strangely Mediterranean character of the surrounding scenery in a way that complements what he called "one of the noblest views in Europe."

The drive from London to Portmeirion takes about five hours (it depends which way you go and how often you stop). The best way from London is via the M1, M6, M54 and then the A5 as far as the Bala turn-off (three miles past Corwen). Then follow the signs for Porthmadog; Portmeirion is one mile beyond Penrhyndeudraeth. Apart from the village and the surrounding grandeur, Portmeirion is splendid because of its woodland gardens (more than 70 acres of sub-tropical woodland, at their best in May and June, criss-crossed by miles of paths which lead to White Sands Bay) – and the hotel.

The Hotel Portmeirion was rebuilt almost completely after a fire in June 1981 and is now exceedingly comfortable and engagingly well-run. High-season rates (May 26-September 22 1990) range from £53 to £65 a night for rooms in the village to £75 to £115 a night in the hotel. Single occupancy: deduct £10. Cooked breakfast: £6.50. Tel. 0766-770228; fax 0766-771331.

For a list of cheapish but good establishments in Snowdonia, get *The Holiday Which? Guide to Weekend Breaks* (widely available, £9.95). A useful brochure is *Welsh Rarebits: The Welsh Gold Collection*, featuring 35 country hotels in Wales including working farms, old coaching inns, decent houses and secluded manors, with accommodation (double room) ranging from £26 to £141 a night.

The brochure is available from Euro-Wales, 9 Raleigh Walk, Atlantic Wharf, Cardiff CF1 5HD (tel. 0222-464567; fax 0222-473575).

M. T-N

Portmeirion Village

Where the world's your oyster

Jill James munches molluscs and explores village fêtes in Brittany

'A loaf of bread,' the Walrus said,
'Is what we chiefly need:
Pepper and vinegar besides
Are very good indeed –
Now, if you're ready, Oysters dear,
We can begin to feed.'
– Lewis Carroll
Alice Through the Looking Glass

OYSTERS in cheese sauce, stuffed oysters, oysters in raspberry vinegar . . . you can probably get Spam and oysters as well if you try hard enough in north-east Brittany.

Les huitres appear on the menu of almost every humble café; they are sold in baskets at roadside seafood stalls – indeed, they are the only produce at many of them – and the region's best hotels would not dream of ignoring these abundant local molluscs.

The oyster beds are visible at low tide in the bay of Mont St Michel and, twice a day, the falling sea uncovers mussels clustered on wooden struts like grapes in a vineyard.

Other seafood is plentiful but it is the Cancale oyster that reigns supreme. *Dégustations* are inescapable, usually at scruffy roadside caravans decked with seaweed and plywood *bienvenu* signs.

The area has plenty of other attractions, whether for a short or long break, and renting a *gite* is one way of seeing them. In fact, a *gite* holiday is one of the best ways for a family to experience rural France, warts and all, at moderate cost. We stayed just outside Dol-de-Bretagne, a busy market town on an even busier road junction with a ponderous and sad cathedral that seems never to have recovered from its Revolutionary interlude as a "temple of atheism."

From Dol-de-Bretagne you can travel coastwards to shimmering salt marshes, sandy beaches and busy resorts (St Malo, Dinard, Cancale), or inland to fine châteaux (Combourg and Fougères) and an agricultural landscape that still supports a genuine village society.

However minimal your French, one of the pleasures of France is the small shops and markets. It is a challenge and pleasure to stock up on the garlic, onions and shallots for which the Ille-et-Vilaine is famous. You can use the hypermarkets, of course, where French or any other spoken word is unnecessary; but in that case, why bother to go?

While shopping, pick up a local paper and look for the announcement of local entertainments. We watched a flood-lit pageant celebrating the deeds of a local hero: Bertrand du Guesclin, Constable of France and champion of his compatriots against the arrogance of their Anglo-Norman oppressors.

As midnight approached, our six-year-old son was transfixed by the climactic tournament that unleashed charging horses and lance-splintering combatants. The entire population of Le Tronchet, where the show was held, performed as "extras."

More serene entertainments that we enjoyed were massed kite-flying on the coast and an open-air concert of Breton music on the ramparts of Dol. Also worth watching out for are the numerous village festivals and combined agricultural shows.

Never arrive on time for anything, though; the events we attended started about an hour after the advertised time.

You cannot drive anywhere in the area without seeing Mont Dol, just a short distance to the north of Dol itself. This granite mound bursts 65 metres (208 ft) upwards from a marshy plain and has been inhabited since prehistoric times.

Relics of a temple of Mithraism, a Persian cult which reached the Romans just before Christianity, have been found there in the form of pierced altar stones. Initiates were required to crouch under an altar on which a bull was killed. The blood poured through the holes in the altar stones on to the naked devotee.

Nothing quite like that occurred during our picnic there. In fact, Christians can claim that St Michael won the mound back for them by giving Old Nick a fearful biffing on that very spot.

Uncovering local legends is thirsty work and Breton cider, served in large tea cups, is the traditional drink, particularly when served with the region's speciality, crêpes and galettes (savoury pancakes).

Muscadet is the closest thing to a local wine and, naturally, a few oysters go down well with a glass or two – or three.

'O Oysters,' said the Carpenter,
'You've had a pleasant run!
Shall we be trotting home again!'
But answer came there none . . .
And this was scarcely odd, because
They'd eaten every one.

GETTING THERE

The RAC European Service Ferry Guide is a compilation of seven leading ferry companies' timetables and tariffs. Tel. 01-686-2525.

Gîtes de France, 178 Piccadilly, London, WIV 9DB. Tel. 01-493-3480.

Tourist information centres: Comité Départemental du Tourism, 1 rue Martenot, 35000 Rennes, France (tel. 99-02-97-43). Dol-de-Bretagne (tel. 99-48-15-37).

Books: Green and Red Michelin.

MOTORING/GARDENING

AA talks sense on environment

Stuart Marshall finds much to value in the organisation's submission to the Government

YOU CAN'T mention cars nowadays without talking about the environment and the dreadful effect they are supposed to be having upon it.

Far be it from me to underrate the damage that burning all that petrol and diesel does to the quality of the air we breathe. And the mere presence of unbroken lines of cars, moving or parked, does nothing to improve the look of the towns or suburbs in which most of us live.

Still, London's air must be incomparably cleaner nowadays than it was in my youth. Part of my childhood was a regular Sunday morning walk with my parents on Hampstead Heath. You could see what is now the borough of Camden disappearing under the pall of smoke from tens of thousands of coal fires as the midday meal was cooked.

A statistic I treasure (I do hope it is true) is that more harm is caused to the atmosphere by the cows in Texas breaking wind than by all the aerosol propellant gases in the world. Yet, such is the power of the environmental lobby that I feel a tiny pang of guilt when I squirt shaving cream on my face each morning.

All of which is by way of background to what seems a very sensible submission on environmental matters from the Automobile Association to the Secretary of State for Transport.

The AA says the radical demands of many environmentalists "do not take into account individual life-style aspirations or the economic and social geography of different nations."

It recognises that harmful emissions from motor vehicles must be reduced, and proposes to support measures encouraging the development of pollution-free (presumably electric) vehicles. But, the AA adds, the public is concerned and confused. "People do not want the environment . . . to be ruined for future generations, but they also want to continue to own and use motor cars," it declares.

The AA, which has nearly 7.5m members, makes a number of interesting points, some of them radical, in its approach to marketing cars. It says that while lead-free petrol and catalytic converters would deal with some short-term problems, remaining harmful emissions must be reduced substantially through the development of more fuel-efficient vehicles.

According to the AA, speed and performance remain the major marketing points of most cars. But future car ownership and use should be marketed as a means of travelling safely and economically, with minimal impact on the natural environment.

Car owners, says the AA, should be encouraged to be proud of their vehicle's environmental cleanliness, not its performance. A lot of people (although possibly not many motoring magazine journalists or advertising agency copywriters with car manufacturers as clients) will say "amen" to that.

The AA also recommends that:

■ Legislation requiring vehicles to conform to new European standards by 1992 should be brought in without delay and should include a check on emissions, perhaps as part of the MoT test.

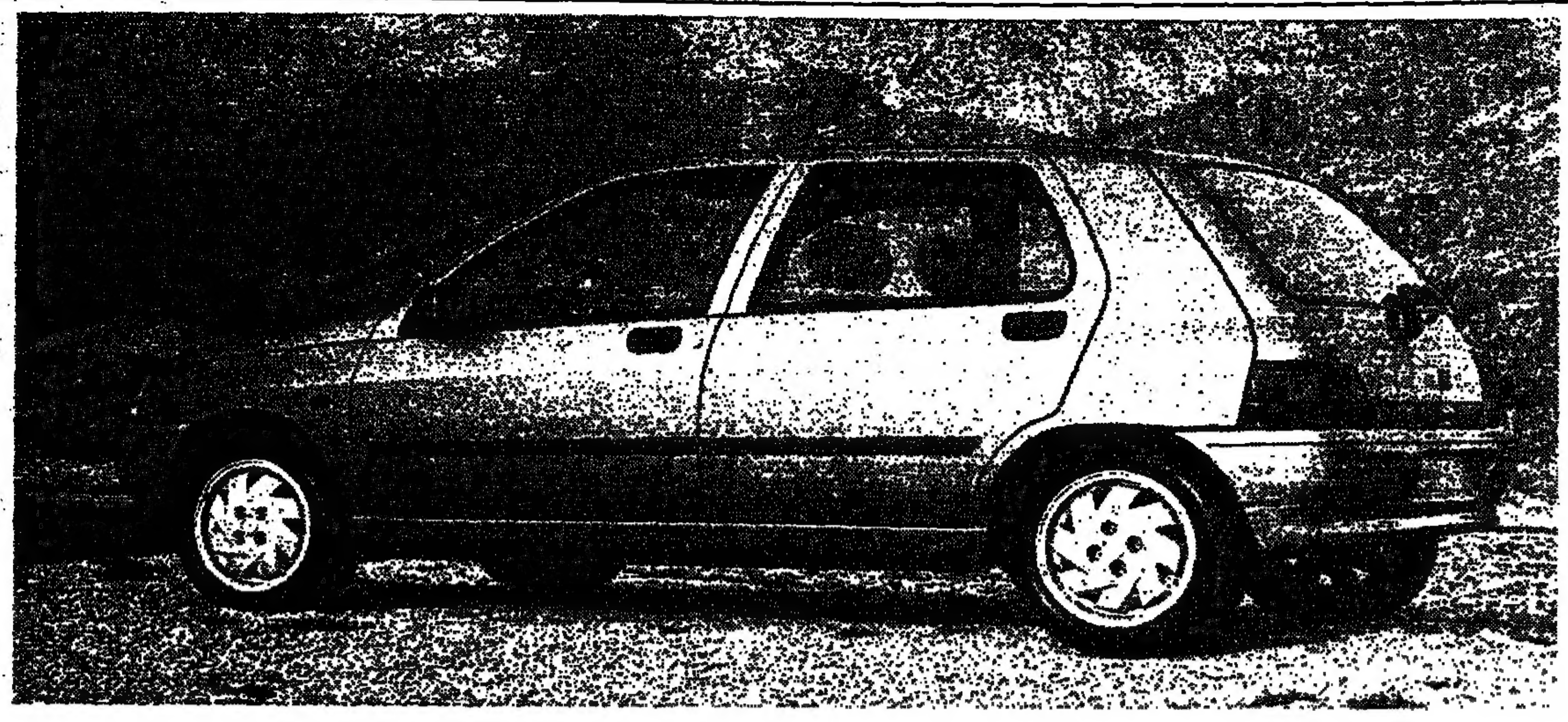
■ Car-sharing should be encouraged but not made compulsory "because the flexibility of car ownership is one of its major attractions over public transport."

■ Reserved high-occupancy vehicle lanes should be tried in peak periods.

■ Speed limits should be enforced more rigorously, if necessary by using new technology, because high-speed driving increases pollution.

It's all a far cry from the days when AA patrolmen used to spot speed traps for members. If they did not salute, you halted to ask them why — which was when they told you the boys in blue were up the road with their stop-watches!

■ *A slip of the word processor in condensing my column about the VW Golf Umwelt diesel last week. Environmental lobbyists think it is the specific hydrocarbon compounds in a diesel car's exhaust that may be carcinogenic, not the catalyser which VW fits to the Umwelt to get rid of as many of them as possible.*



THIS IS the Clio, Renault's latest entry into the most competitive sector of the European market. Similar three- and five-door compact hatchbacks now account for 27 per cent of all car sales and the proportion rises steadily.

Renault drives into the compact market

It is not, as had been rumoured, a direct replacement for the Renault 5. The Clio is bigger at 12 ft 2 in (370 cm) long — the same as a Peugeot 205 — compared with 11 ft 9 in (359 cm) for the Renault 5. It's a little wider, too, at 5 ft 6 in (164 cm) against the 5 ft 2 in (156 cm) of the Renault 5 and Peugeot 205.

The Renault 5, which has been one of Europe's best sellers — 8.3m since it appeared first in 1972 — will live on. Word from Paris is that the Campus model will continue to be made as the base model in Renault's range for the foreseeable future.

The Clio won't arrive in Britain until next year, although it will be on sale in France this summer. Buyers will have a choice of five petrol engines, ranging from 1.1 litres' capacity and 49 horsepower to a 1.8-litre with 16 valves putting out 140 horsepower. All run on unleaded; most will be fitted with exhaust catalysers. There is also a 1.9-litre, 65-horsepower diesel.

You can detect a family likeness between the Clio and the Renault 19, which replaced the former 9 and 11 models about 18 months ago. Its design is conventional, and suspension is combined coil spring and damper (MacPherson strut) front with torsion bar rear. The long wheelbase and wide track suggest the Clio will be spacious inside, ride comfortably and handle well. Renault says executive car standards have been applied to make the Clio as quiet as possible ("Our aim is to offer big car refinement in a small car body"). The body shell is claimed to be exceptionally rigid. Special engine and suspension mountings prevent most mechanical and road noises from getting inside the car while nearly half the body panels are of pre-treated (galvanised) steel to keep corrosion at bay.

There will be three trim and equipment levels for the big-selling models, plus a leather and walnut veneer-trimmed Baccara luxury version and a stiffer-sprung, wider-wheeled and fatter-tyred Clio sports with the 16-valve engine. Taking a cue from the Japanese, Renault is putting electric windows, central locking and a four-speaker audio system with stalk controls into most models. Options will include automatic transmission, ABS brakes, power-assisted steering and air-conditioning.

And prices? There is bound to be some overlap between the Clio and the 19 which now costs from £7,195 to £10,195 (although there is no luxury Baccarat equivalent of either the 19 batchback or the Chamade, its booted saloon derivative). The Renault 5 is from £5,495 to £9,995 for the posh, leather-trimmed, power-steered Monaco, known as the Baccarat in France.

Allowing for inflation and possible changes in the exchange rate, about £7,000 to £11,000 would seem a reasonable guesstimate for the Clio.

S. M.

Protect and survive

Robin Lane Fox on the victims of a hostile spring

WE CAN only hope that we are at last pulling out of this exceptionally hostile spring. The dry spells have been manageable but it is frost which is the killer. It has annihilated the fruit blossom not only in most of England but as far afield as the cherry, quince and peach-growing corners of Spain. The price of fruit will be horrendous.

One crop, at least, may have survived to reward me this autumn. I am still hoping for blackcurrants because I acted on a photograph which has always been etched in my memory. It showed a line of blackcurrant bushes in full flower, dripping with icicles. In the caption, an expert fruit grower stated that a "continual spraying with water during frost would encourage a coating of ice on currant bushes and protect the flowers". If yours have not yet flowered and the frosts continue, I recommend this unlikely trick. During the past fortnight, we have verified it by soaking a blossoming currant bush with water after dark, leaving the sprinkler to run on it until my bedtime and starting it up again at the hour of the first commuters. The bush iced up amazingly and flowers which had opened long before their season appeared to have pulled through, looking as if they had been touched by the White Witch. If in doubt, ice it: professionals probably use this trick, but ordinary gardeners would not dream of it.

Elsewhere, it has been a lethal spring for trees which fruit in the main season. The later varieties were sufficiently behind the times to miss the worst and I have benefited from the wisdom of Edwardian kitchen gardeners who feared frosts in April and planned their choice of trees accordingly. Informed by their books, I have always favoured a particularly late-fruiting apple, Ashmeads Kernel, because it fruits in the second to third week of October. The frosts have been coming after clear, warm days but with us, the Kernel had not yet begun to open buds: the catastrophe has passed it by.

In the flower beds, we all face some dismal sights among the hydrangeas, shrub roses and anything whose soft young shoots were too far advanced. Long lengths of their top growth will turn out to be dead and will die right back to shoots lower down. Eventually, I will cut back this damaged wood, but I want to be sure first about the point at which the rally will begin. For the moment, therefore, I will sit and do nothing, expecting to prune hard in about a month.

The most worrying victims are plants like Agapanthus which send up broad, fleshy leaves and have been prompted too early by the warm weather. A fair number of mine have turned down to a soggy mess: montbretias, being firmer, are merely scorched, but Agapanthus and the over-developed eremurus with its fox-tail flowers have taken a beating. What an irony: we had all come to believe that the white forms, the blue Headbourne hybrids and the deep blue Isis were totally winter-hardy because they are dormant and safely under ground. Then, a freak spring propelled them into growth too early and wiped out

many of my younger plants.

Hardy blue plumbago, or Ceratostigma, also looks wretched but I am less worried. Yours, too, has probably gone a miserable shade of yellow all over the tiny shoots which had sprouted sideways too early: you should expect it to sprout again much lower down, as mine is already starting to break there. Outright death seems most unlikely.

Mercifully, the new pink-white Lavatera Barnsley has sailed through unscathed after the first serious test of its hardiness since it began to sweep through the general market two years ago. It really does seem to be tough, tall and trouble-free, but I am always wary of pruning it too early in the spring and encouraging soft young growth. I will not be reducing mine from last autumn's height of six feet for a week or two yet.

Like a nasty turn in world markets, the sharp weather has put experiments smartly in their place. I had high hopes of a felted grey-leaved Buddleia called Yunnanensis which had grown like mad in two seasons after being bought from Calley Gardens Nursery in Scotland: even against a wall, it is now stone dead. So is the newish Halimiocistus Merrist Wood Cream which will no doubt be looking enchanting at Chelsea Flower Show in a few weeks' time and bewitching us with cream-yellow flowers and their chocolate-brown centres. Why do we all bother with these experiments outside a mild bit of England? These plants, and others, have collapsed at the first test of their stamina.

Curiously, Ceanothuses in my experience have come off lightly. On the whole, glossy-leaved evergreens seem to have been tougher about the ordeal than anything with soft young growing tips. I have been enjoying the surprising sight of Ceanothus Trewithen Blue which had raced up to a height of eight feet in only two years on a south wall. It is smothered with its wonderfully bright blue flowers and is quite unhurt while neighbouring roses have been scorched.

This particular form, of Cornish extraction, is such a fast mover that it has to be worth the gamble. Its broad green leaves imply instant death in a tough winter, but it seems to be up to a sharp spring and is the most spectacular of the spring-flowering forms. I recommend it very strongly on the south wall. If your ceanothus is frost-bitten, it is unlikely to recover from wood which is more than one season old. It has a chance if you cut it back to last year's starting point where the wood will still be green by comparison with a dark, older trunk.

I hope that you, too, have been lucky: this spring has ruined fruit-farmers, iced up the currants and burnt the magnolias, but it has not destroyed the ceanothus family which usually suffers first and worst.

Gardening

Dig out your dahlias

It's time to take tubers to task, says Arthur Hellyer

IT IS time to get old dahlia tubers out of store and start them growing again, and also to purchase and start the little dormant dahlia tubers that garden shops sell in plastic bags bearing colour pictures of the flowers they will produce.

It is a little too early to buy the rooted cuttings which dahlia specialists sell, unless a reliably frost-proof greenhouse is available in which to keep them growing until about mid-May, which is as early as any dahlia ought to be allowed to expose its green parts in the open, even in the mildest parts of Britain, or in some very sheltered patio or courtyard gardens.

The difference in dating is because the dormant tubers will be completely below ground, where they will be safe from the short-duration frosts that are all we are likely to get now, though I would not expect them to be safe from slugs and snails. Big old tubers will produce so many new shoots that they can afford to lose a few, so I am content to plant them directly outdoors where they are to flower, with a covering of 2 to 3 in of soil and a scattering of methiocarb pellets to deal with the pests.

The little tubers that the garden shops sell only make a few shoots each, and so are very

vulnerable to slugs, snails and other hazards. I prefer to start them in four-inch flower-pots, one cluster of tubers in each, in any good peat-based potting compost in which they can go on growing until early June, by which time it should be safe to plant them outdoors. Meanwhile, they are best kept in a greenhouse, conservatory or garden room, where they can be under observation.

They are unlikely to require artificial heat at this time of year, but should not be allowed to freeze. If they do outgrow their pots before risk of frost is over, they can be moved to a size larger pot and kept under cover without delaying the time at which they will start to flower, probably in late July. If I have glasshouse space to spare, I do the same with any small dahlia tubers as they are so much more vulnerable to pests than the large tubers.

Specialist dahlia nurseries will have had their old tubers growing for a long time in well-warmed glasshouses, and have been busy cutting off the young shoots and rooting them in propagating frames. It is these freshly rooted cuttings, as yet without any tubers, that they will be offering for sale now, and these will need to be grown on under glass until all risk of frost is over. Unless this protection is available, delivery should not be taken until the end of May or early June, but it is wise to order early or the best varieties may be sold out.

Under skilled management these rooted cuttings grow fast, and make ideal plants for producing top-quality flowers. One trouble with the old tubers is that they can become immense, and then the number of new shoots each will produce is great and the competition between flowers becomes intense. This can be lessened by splitting the clusters of tubers before starting them into growth; fairly easy with those that are rather loosely strung together, but quite a task with those that are cobby and bound into a tight mass.

It is these latter that are usually the longest lived and the most satisfactory to retain from one year to another. I have one variety of this cobby character which has lived in my garden for so many years that I have forgotten its name and now call it Rowfant Pink simply for identification. It has never suffered from any visible ailment, though I suppose it may be a secret carrier of some virus which produces no obvious symptoms. There are such dahlias, but it is difficult to spot them and I refuse to get neurotic about it. So, I shall continue to regard my Rowfant Pink benignly as long as it gives me so many fine flowers, looks so supremely happy and is not obviously spreading disease.

The flowers are of medium size, up to 5 in across, with firm, quilled petals that withstand quite a lot of wind and rain. It is a type I like well, but many garden owners will prefer dahlias that have flat, outward-curling petals, or make ball-shaped flowers with a honeycomb structure, or are single, like daisies, or single but with the addition of a ring of short petals of a different colour around the pad-like daisy centre, a type known as Collarette. One of the marvels of the dahlia is the many flower shapes, colours and sizes that breeders have been able to coax out of it.

CHESS

ONE OF the most interesting and fruitful aspects of chess is its exceptional age span, which makes it possible to have a reasonable contest between an eight-year-old and a veteran of 80. This longevity creates a strong sense of tradition, with the result that chess history is documented very well.

It is a memorable experience, whatever the result, for a young player to sit at the board with a grandmaster or master who was previously just a name from old tournament tables and matches. I can recall my awe and pleasure at the Southsea 1950 tournament where I was paired with Bogolyubov and drew with this opponent who had played two matches for the world title.

The sense of achievement was dampened just one day later, however, when my younger rival, Jonathan Penrose, in turn met Bogolyubov and crushed him with a brilliant attack.

Undoubtedly, the most fruitful meeting of minds from widely different generations has been Mikhail Botvinnik's chess school in Moscow where his pupils included both Karpov and Kasparov.

Results of inter-generation games generally favour the young, although there are honourable exceptions. It was a pleasure at last year's Lloyds Bank Masters to see Vassily Smyslov and David Bronstein in action, defeating many of their opponents from the England junior squad but passing on nuggets of experience in the post-mortems.

In the 1970s and early 1980s, when veteran GMs as individual opponents were hard to find, we used to arrange simultaneous matches against the top Russians who came to the Hastings and GLC internationals; Nigel Short and others thus met the great names like Petrosian, Spassky and Korchnoi. When the champions started to score remarkably badly on these occasions, it became clear that Britain had a nursery of rising talent.

The double problem for the older player in generation games is that he might be caught cold at the start by some opening novelty fresh from the pages of *ChessBase* or *Chess Informant*, while fatigue can count in a long struggle. The Smyslov formula — a calm positional start followed by a strategic middle game — is the best approach.

This week's game is an unusual inter-generation battle where one of Hungary's celebrated Polgar sisters takes on a former US champion who made his name in the immediate post-World War Two tournaments.

Zsuzsa Polgar is 21, Arnold Denker is 76; but the curious feature of the struggle is that it is the younger player who plays in a calm and mature positional style, increasing her pressure gradually until the defences crack. But you can pinpoint Black's difficulties at quite an early stage, where a passive formation gives White time for a central invasion at moves 16-20.

Plainly, Denker wanted to avoid sharp, booked-up lines, but he would have been more comfortable in the Meran variation 6 ... dxc4 7 Bxc4 b5 which was popular in his youth.

White: Z. Polgar. Black: A. S. Denker.

Queen's Gambit, Slav (New York 1989).

1 d4 Nf6 2 c4 e6 3 Nf3 d5 4 Nc3 c6 5 e3 Nbd7 6 Bd3 Be7 7 O-O O-O 8 b3 b6 9 Bb2 Bb7 10 Qe2 c5.

In many similar situations, Black advances c5 in one step; White utilises the extra tempi to gain space with his knights.

11 Rad1 Qc7 12 Ne5! Rad8.

If Black wins a pawn by 12 ... Nxe5 13 dxe5 Qxe5, he loses his queen after 14 Nxd5 Qd6 15 Nxf6+ Bxf6 16 Bxh7+.

13 f4 Ne4.

Hoping to blockade by ... f5. If Black does nothing, White builds up her attack by f5, g4 or Rf3.

14 Bxe4 dxe4 15 Nb5 Qb8 16 d5!

This strong advance opens the diagonal for the b2 bishop and, less obviously, prepares to establish a knight or bishop at d6.

16 ... Nf6 17 dxe6 fxe6 18 Ng4 a6.

After 18 ... Nxg4 19 Qxg4 Bf6 20 Qxe6+ White is a safe pawn up.

19 Be5 Qc8 20 Bd6! Bxd6 21 Nxd6 Qc7 22 Nxf6+ Rxf6 23 Nxb7 Rxd1 24 Rxd1 Qxb7 25 Qh5!

Justifying the exchange of minor pieces that normally would normally improve Black's drawing chances. White now either wins a pawn by Qe8+ or decisively centralises her queen.

25 ... Qc6 26 Qe5 b5 27 Rd6 Qc7 (if Qb7 28 Qxc5) 28 Rxa6 Qxe5 29 fxe5 bxc4.

If 29 ... Rf5 30 cxb5 and White soon queens.

30 exf6 Resigns. Black's last trap is easily refuted: 30 ... c3 31 Rc6 c2 32 Rxc5.

PROBLEM No 820

BLACK 11 MEN

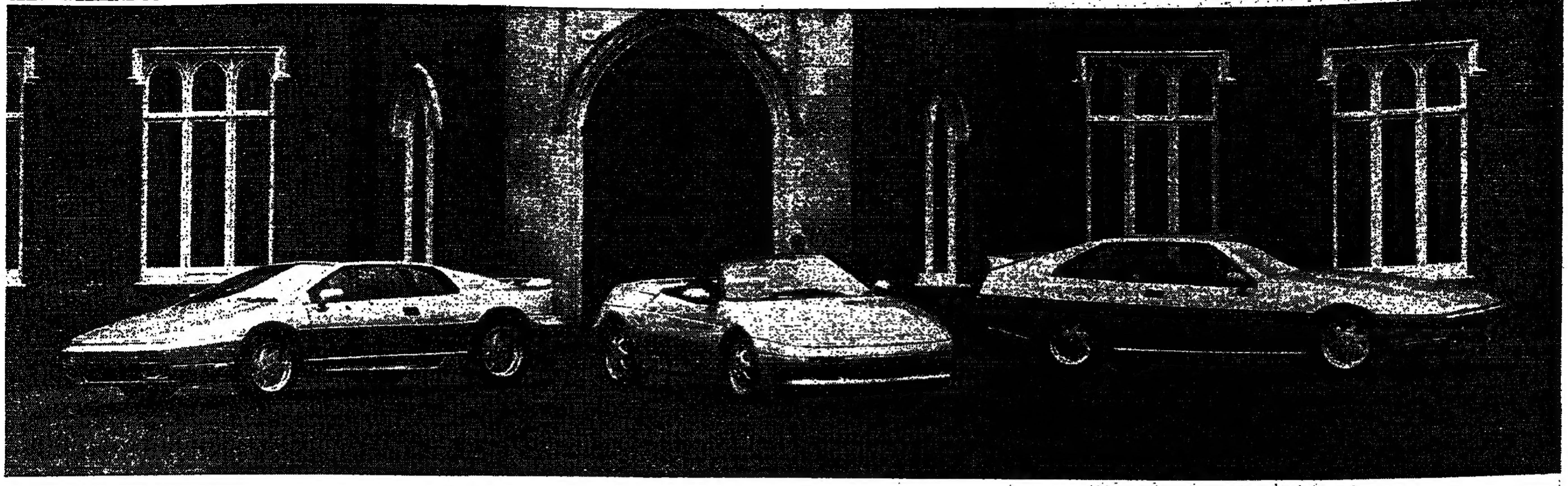
WHITE 11 MEN

Deep Thought v. Eric Cooke, American Open 1989. DT, the world champion chess computer, had a moderate tournament by its number-crunching standards, defeating another international master and sharing sixth prize among a galaxy of top US human players.

Its most memorable achievement was this diagram where DT's next choice as White was hailed by one expert commentator as a "super-grandmaster class move." Its opponent was baffled until DT played the winning follow-up to its initial coup. How did the game go?

Solution Page XI

Leonard Barden



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